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Supreme Court of the United States

OCTOBER TERM, 1950

No. 461

STACY C. MOSSER, SUCCESSOR TRUSTEE OF NATIONAL REALTY TRUST AND FEDERAL FACILITIES REALTY TRUST, ET AL., PETI-TIONERS,

08

PAUL E DARROW, FORMER TRUSTEE OF NA-TIONAL REALTY TRUST AND FEDERAL FACILI-TIES REALTY TRUST

ON WRIT OF CERTIONARY TO THE UNITED STATES COURT OF APPRALS
FOR THE SEVENTH CIRCUIT

PETITION FOR CERTIORARI FILED DECEMBER 18, 1950, CERTIORARI GRANTED FEBRUARY 26, 1951. IN THE

Supreme Court of the United States

OCTOBER TERM, 1950.

No.

IN THE MATTER OF FEDERAL FACILITIES REALTY TRUST, A COMMON LAW TRUST, AND NATIONAL REALTY TRUST, A COMMON LAW TRUST,

Debtors.

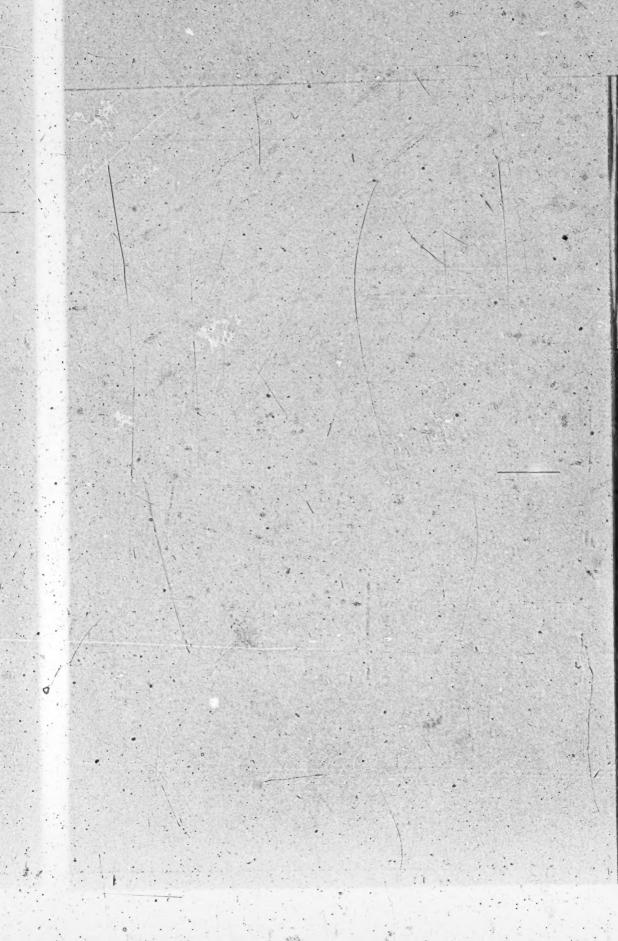
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Petitioners,

U8.

PAUL E. DARROW, FORMER TRUSTEE,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.



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In the Matter of Federal Facilities Realty Trust, a Common Law Trust, and National Realty Trust, a Common Law Trust.

Debtors.

PAUL E. DARROW, Former Trustee,

Appellant,

No. 9935

VS.

STACY C. MOSSER, Successor Trustee, et al.,
Appellees.

JOHN W. GUILD, Successor Trustee, etc.,
Appellant,

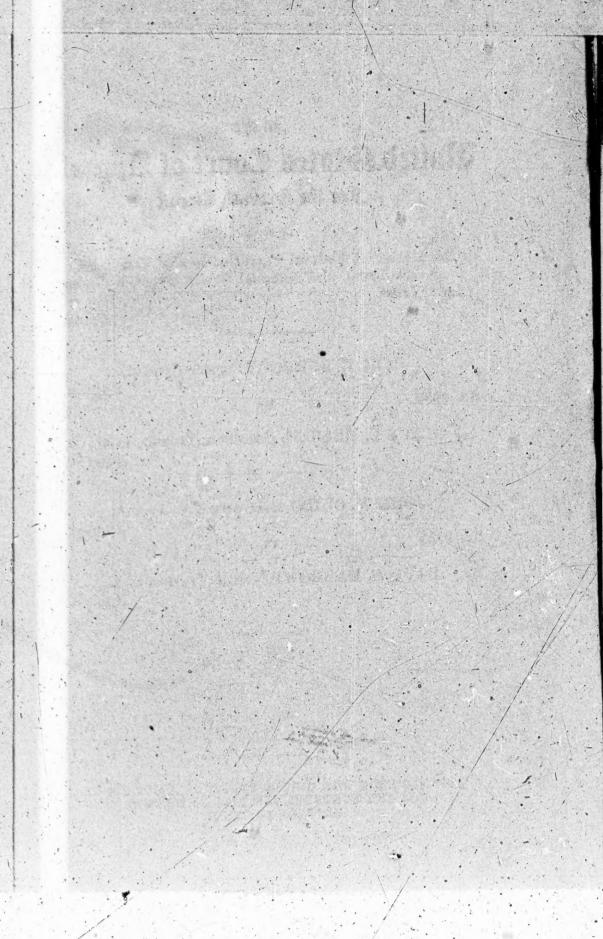
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PAUL E. DARROW, Former Trustee, et al.,

Appellees.

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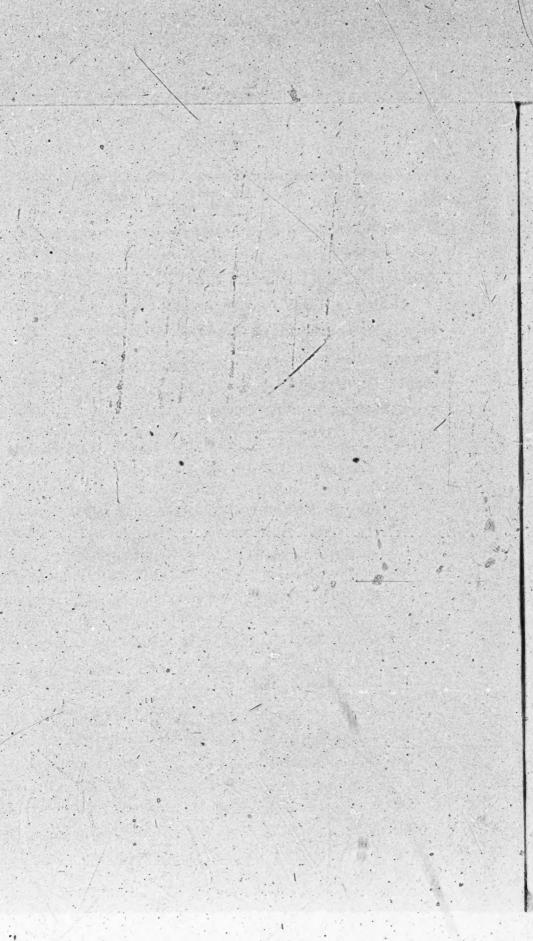
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In the Matter of FEDERAL FACILITIES REALTY TRUST, a Common Law Trust, Debtor.

In the Matter of NATIONAL REALTY TRUST, a Common Law Trust, Debtor.

PAUL E. DARROW, Former Trustee,

Appellant,

VS.

STACEY C. MOSSER, Successor Trustee herein,

Appellee,

John W. Guild, Successor Trustee, under a Trust Indenture herein, Appellee,

Securities and Exchange Commission, Appellee. In Proceedings Under Section 77-B No. 58334

In Proceedings Under Section 77-B No. 58335

PLEAS had at a regular term of the United States
District Court for the Eastern Division of the Northern District of Illinois begun and held in the United States
Court Rooms in the City of Chicago in the Division and
District aforesaid on the first Monday of April (it being
the 4th day thereof) in the Year of Our Lord One Thousand Nine Hundred Forty-Nine and of the Independence
of the United States of America, the 173rd Year.

Present:

Honorable John P. Barnes, District Judge Honorable Philip L. Sullivan, District Judge Honorable Michael L. Igoe, District Judge Honorable William J. Campbell, District Judge Honorable Walter J. LaBuy, District Judge Honorable Elwyn R. Shaw, District Judge Honorable William H. Holly, District Judge Roy H. Johnson, Clerk

Thomas P. O'Donovan, Marshal
Tuesday, April 12, 1949
Court met pursuant to adjournment
Present: Honorable William J. Campbell, Trial
Judge

2

IN THE UNITED STATES DISTRICT COURT For the Northern District of Illinois Eastern Division

In the Matter of
FEDERAL FACILITIES REALTY
TRUST, a common law trust,
Debtor.

In Proceedings Under Section 77-B No. 58334

Be It Remembered, that on to-wit the 26th day of December, 1934, the above-entitled action was commenced by the filing of a Petition of Joseph R. Wall, et al., in the office of the Clerk of the United States District Court for the Northern District of Illinois, Eastern Division:

3

IN THE UNITED STATES DISTRICT COURT For the Northern District of Illinois Eastern Division

• (Caption-No. 58334)

Be It Further Remembered, that, on the same day, to-wit, the 26th day of December, 1934, the above-entitled action was commenced by the filing of a Petition of Joseph R. Wall, et al., in the office of the Clerk of the United States District Court, for the Northern District of Illinois, Eastern Division:

And afterwards on, to wit, the 15th day of October, 1943 came the Trustee, Paul E. Darrow by his attorneys and filed in the Clerk's office of said Court his certain Final Report And Account, From April 25, 1935, and including request for allowance of additional fees for services rendered as such Trustee for said period, in Cause No. 58334, in words and figures following, to wit:

5

IN THE DISTRICT COURT OF THE UNITED STATES
For the Northern District of Illinois
Eastern Division

In the Matter of
NATIONAL REALTY TRUST, a
common law trust,
Debtor.

In Proceedings Under Section 77-B No. 58335

FINAL REPORT AND ACCOUNT OF PAUL E. DAR-ROW, TRUSTEE, FROM APRIL 25, 1935 TO AND INCLUDING AUGUST 13, 1943, AND INCLUDING REQUEST FOR ALLOWANCE OF ADDITIONAL FEES FOR SERVICES RENDERED AS SUCH TRUSTEE FOR SAID PERIOD.

To the Honorable William H. Holly, Judge of said Court: Now comes your Trustee, Paul E. Darrow, and respect-

fully represents as follows:

1. This Honorable Court on April 25, 1935 entered an order approving the petition herein of certain creditors as properly filed under Section 77B of the Bankruptcy Act.

2. Said order of April 25, 1935 appointed Paul E. Darrow as Temporary Trustee of the Debtor and fixed his bond in the sum of \$5,000, which was duly approved by this Honorable Court on April 25, 1935.

3. The scope of the duties of your Trustee was outlined by said order of April 25, 1935, section 3 of which

is as follows:

"3. That said Paul Darrow be, and he is hereby authorized and directed to operate, maintain and continue the business of the Debtor, and to manage its property until the further order of this court; that

said Paul Darrow shall have and exercise consistently with the provisions of said Section 77B, all the powers of a trustee appointed pursuant to said section, subject at all times to the control and order of this court, and to such limitations, restrictions, terms and conditions as this court may from time to time impose and prescribe, and in general, shall have full power and authority to do all things necessary or convenient in the operation of said business and property and maintenance and preservation of said estate."

4. On May 24, 1935 this Honorable Court entered an Order Making Permanent Appointment of Temporary

Trustee. A portion of said order is as follows:

"Now, Therefore, It Is Hereby Ordered, Adjudged and Decreed that the appointment of Paul E. Darrow, heretofore appointed Temporary Trustee of Federal Facilities Realty Trust, Debtor, be and it is hereby made permanent and the said Paul E. Darrow as such Permanent Trustee shall continue to have and be vested with all the rights, powers, title and authority possessed by him as Temporary Trustee and shall have all of the rights, powers, authority and title vested in a trustee in bankruptcy under the law and in a receiver in equity."

5. Said order of May 24, 1935 fixed the amount of the bond of Paul E. Darrow as Permanent Trustee in the sum of \$25,000 which was duly filed in and approved by this

Honorable Court on May 25, 1935.

6. This Honorable Court entered an order on June 18, 1935 authorizing your Trustee to enter into agreements with any or all of the corporations which are subsidiaries of the Debtor herein for the conduct by your Trustee of the management of said subsidiaries. Pursuant to such authorization and in accordance with various provisions in plans of reorganization, your Trustee has managed such subsidiaries.

7. On July 26, 1935 this Honorable Court entered an order concerning the compensation of your Trustee, a

portion of which is as follows:

"Now, Therefore, It Is Hereby Ordered, Adjudged and Decreed that Paul E. Darrow, Trustee herein, is hereby authorized and directed to pay himself an allowance on account in the sum of \$300.00 for the

period from April 25, 1935 to May 24, 1935, and at the rate of \$500.00 a month thereafter for his services to the Debtor herein and to a certain National Realty Trust, concerning which proceedings are pending herein under Case No. 58335, said monthly allowance of \$500.00 to be divided between the said Debtors in the proportion which the income of each Debtor from month to month bears to the combined income of both said Debtors in each month."

8. Your Trustee has followed the directions of said order of July 26, 1935 with respect to such compensa-

tion to him. .

9. Pursuant to the aforesaid orders your Trustee employed Messrs. Scovell, Wellington & Company, certified public accountants, of 105 West Adams Street, Chicago, Illinois, to prepare from the books of the Federal Facilities Realty Trust and its subsidiary companies statements showing the financial condition of the Trust and its subsidiary companies as at May 31, 1935, the result of their operations for the period from November 1, 1933 to May 31, 1935 and an analysis of their surplus accounts from their organization up to May 31, 1935. Pursuant to such employment Messrs. Scovell, Wellington & Company prepared, and your Trustee's attorneys filed with this Court, the following documents:

Federal Facilities Realty Trust, National Realty Trust, And Their Subsidiary Corporations. Financial Statements As At May 31, 1935. August 17, 1935.

National Realty Trust. Financial Statements As At May 24, 1935. August 30, 1935.

10. The aforesaid financial statements of Federal Facilities Realty Trust and its subsidiaries were filed in these proceedings on or about the above dates, together with companion statements, as above set forth, of National Realty Trust, a companion proceeding, and its subsidiaries, and have been available to all parties in these proceedings and in the companion proceedings of National Realty Trust, a common law trust, District Court Case No. 58335.

11. Your Trustee asks that an order may be entered herein approving the aforesaid financial statements of Federal Facilities Realty Trust and its subsidiaries as in compliance with the orders of this Honorable Court heretofore entered herein, and approving said documents.

12. Pursuant to the aforesaid orders your Trustee has conducted the business of the Debtor, which is a common law trust owning all or a portion of the equity in some fourteen separate properties. Immediately upon your Trustee's appointment he discovered that many of these properties were in need of reorganization. In one instance such reorganization proceeding was pending at the time of your Trustee's appointment, while in other instances your Trustee himself through his stock control of said subsidiary corporations initiated reorganization proceedings. Such proceedings required a considerable period of time, but your Trustee is now able to report that such reorganizations have, with the exception of the Roseland Building Corporation, been completed. A statement setting forth the present status of said subsidiaries is attached hereto, marked Exhibit A, and made a part

hereof. 13. In his conduct of the Debtor's business as aforesaid, your Trustee has received interest payments from bonds of the subsidiary corporations held by the Debtor, and has received management fees from the operation of the properties of the subsidiaries of the Debtor. Further, in the aforesaid conduct of the Debtor's business, your Trustee has used surplus funds from time to time for the purchase of bonds of the said subsidiary corporations. The face amount of the bonds of subsidiary corporations held by the Debtor prior to your Trustee's appointment amounted to approximately \$8,300. Bonds purchased as aforesaid by your Trustee, of a total face value of \$262.-800, required the expenditure of \$31,864.55. Interest received on such bonds owned by the Debtor prior to your Trustee's appointment and on bonds of subsidiaries purchased by your Trustee subsequent to his appointment totalled on August 13, 1943, \$25,542.34. These securities at prices prevailing on August 13, 1943 had a value of \$38,321.50 and are producing an annual income as of August 13, 1943 of \$3,765.50. This is more specifically shown in statement hereto attached entitled "Summary Of Cash Receipts And Disbursements, Period From June 1, 1935 to August 13, 1943," marked Exhibit B and made a part hereof, and fully explained in communication addressed to the Honorable William H. Holly, United

States District Court, Chicago, Illinois, signed by

Paul E. Darrow, dated October 1, 1943, attached hereto,

marked Exhibit D, and made a part hereof.

14. In the conduct of the Debtor's business as aforesaid, your Trustee has made advances to subsidiary companies where he deemed it advisable. The present outstanding amount of such advances is \$4,020, as shown on Exhibit B attached hereto and made a part hereof, which amount your Trustee expects will be repaid within a reasonable time.

15. The aforementioned Exhibit B sets forth in summary form your Trustee's conduct of the business of the Debtor pursuant to the aforesaid orders. Your Trustee asks that an order be entered herein approving said

statement.

16. Attached hereto, marked Exhibit C, and made a part hereof, is a document entitled "Federal Facilities Realty Trust, Balance Sheet As At August 13, 1943." This statement is from the books and records of the Debtor as taken over by your Trustee, and does not reflect present values. Your Trustee presents it only for purposes of general information.

17. At various times, upon motion of the Securities and Exchange Commission, various provisions of Chapter X of the Bankruptcy Act have been by order of this Court applied to the within proceedings. For more complete information as to said provisions, reference is made to orders entered herein dated January 31, 1941 and August

5. 1943.

18. On January 19, 1942 an order was entered herein upon the application of the Securities and Exchange Commission appointing Frederick B. Andrews, an independent public accountant, and authorizing and directing him to make a thorough financial investigation and to

10 report thereon to the Court with respect to certain matters as more fully outlined in said order; that on May 20, 1942 an order was entered herein modifying in certain particulars various provisions of the order of January 19, 1942; that thereafter said Frederick B. Andrews filed in the Court herein on the dates set forth below the following documents:

June 9, 1942 "Report on Certain Transactions in Securities issued by the Debtor and its Subsidiar-

ies"

July 3, 1942 "Comparative balance sheets
December 31, 1941 and May 31, 1935 and
Statements of Income and Surplus
By Periods—From June 1, 1935 to December 31, 1941 (Per Books—Without Analysis or Adjustment)

of the Debtor Herein and its Subsidiaries"

Aug. 5, 1942 "Report on Pay Roll Accounts

January 22, 1937 to December 31, 1941."
Your Trustee represents that said reports have been avail-

able to all parties in these proceedings.

19. That thereafter the said Frederick B. Andrews filed herein his petition for compensation for said work as authorized and directed in said orders of January 19, 1942 and May 20, 1942, requesting a total amount of compensation in the sum of \$9,893.95, of which \$4,859.05 related to the estate of the Debtor herein, and \$5,034 to the estate of National Realty Trust, companion Debtor in cause No. 58335; that there has been paid on account of said services by the Debtor, pursuant to orders of this Court, the amount of \$2,946.68 as shown in Exhibit B; that the balance of said sum, or the difference between the amount requested and the amount paid on account, amounting to the sum of \$1,912.37 has been questioned by your Trustee and is pending before this Court.

20. That at the time of the appointment of your Trustee herein, George H. Andresen and Harry R. Holden were Trustees of the Debtor herein and of the National Realty

Trust heretofore referred to as companion proceed-11 ing; that George H. Andresen was chief executive of both trusts and of the subsidiary corporations of the respective trusts; that at the time of the appointment of your Trustee herein there was in the hands of said Andresen certain assets of both Trusts and various subsidiary corporations, consisting of \$15,419.69 in cash and various securities; that shortly after the appointment of your Trustee the said Andresen delivered said cash funds amounting to \$15,419.69 and said securities to your Trustee, as Trustee of Federal Facilities Realty Trust, the Debtor herein, and as Trustee of National Realty Trust. companion proceeding as above set forth; that since the receipt of said funds and securities from said Andresen your Trustee has managed said funds and said securities in a separate account entitled "Paul E. Darrow, Chairman Account"; that attached hereto and made a part hereof, marked Exhibit E, is a statement entitled "Paul E. Darrow, Chairman Account," showing all operations of Paul E. Darrow as Trustee herein in said account since receipt of said account down to and inclusive of Septem-

ber 30, 1943.

21. Shortly prior to August 10, 1943 your Trustee submitted in writing his resignation to the Honorable William H. Holly, Judge of said Court, as such Trustee, and this Court entered an order on August 10, 1943 appointing Stacy Mosser Successor Trustee; that said order fixed Mr. Mosser's bond as Successor Trustee in the sum of \$25,000, which bond was duly filed in this Court and approved by order dated August 11, 1943; that Mr. Mosser thereafter on August 13, 1943 took possession of the property and assets of said Debtor as Successor Trustee and since said date has been managing and operating the business of the Debtor.

22. Attached hereto, marked Exhibit C, to which prior reference has been made, is a statement entitled "Federal Facilities Realty Trust, Balance Sheet, As At August 13,

1943," which shows cash on hand and in bank in the sum of \$10,458.56, together with various accounts and notes receivable, and together with bonds of subsidiary companies, all of which your Trustee Paul E. Darrow has turned over as of August 13, 1943 to Stacy Mosser, Successor Trustee herein.

23. That for the period beginning April 24, 1935 and ending June 1, 1935 your petitioner received on account compensation at the rate of \$300 per month and that since June 1, 1935 down to and inclusive of July 31, 1943 your Trustee has received on account compensation at the rate of \$500 per month, which payments, under orders within the proceedings herein and within the National Realty Trust proceeding dated July 26, 1935, were to be divided between the said Debtors in the proportion which the income of each Debtor from month to month bore to the combined income of both said Debtors in each month; that pursuant to said order of July 26, 1935 Paul E. Darrow, as Trustee herein, has received on account of said services as Trustee the total sum of \$27,843.63.

24. That in addition to the compensation received by him as above set forth, your Trustee has in various reorganization proceedings of subsidiary companies of the

Debtor, by orders of this Court in said proceedings, received for services rendered by him the following amounts of compensation:

Name of	District Court	Amount of
Subsidary Corporation	Case No.	Compensation
Chicago Post Office Service		44 700
Building Corporation	64451	\$1,500
Dallas Parcel Post Station,		
Incorporated	60730	750
Ferry Station Post Office,		
Incorporated	59504	2,500
Quincy Station Post Office Bu	uilding	
Corporation	60072	1,500
25. That, therefore, your	Trustee has re	ceived on ac-
count of services rendered as	Trustee of the	Deptor total
compensation as of August 1	3, 1943 amounti	ng to the sum

of \$34,093.63.

26. That the services of your Trustee have ex13 tended over the period of April 25, 1935 to August 13,

1943; that the Federal Facilities Realty Trust, Debtor herein, at the time the reorganization proceedings herein were filed, owned the stock equity in fourteen subsidiary real estate corporations, and also owned bonds of its various subsidiaries; that shortly after your Trustee become Trustee of the Debtor he caused himself to be elected President of each of the fourteen subsidiary companies, and during this entire period has acted as the chief executive officer of said subsidiaries; that most of the properties of the subsidiary companies consisted of buildings erected for postoffice utility and had originally been designed for postoffice purposes and leased to the Postoffice Department; that shortly before your Trustee was appointed the Postoffice Department changed its basic policy into one of erecting its own buildings rather than that of leasing buildings; that in consequence of this policy it has been necessary during the above period for your Trustee to initiate or to assist in the reorganization of various properties of the subsidiaries; that during this period eleven of the fourteen subsidiary corporations belonging to the Federal Facilities Realty Trust, Debtor herein, have been reorganized, and your Trustee was able substantially to retain the equity or controlling stock ownership for the parent company, the Federal Facilities Realty Trust, Debtor herein,

subject to certain qualifications as contained in various plans of reorganization; that your Trustee's services have largely been concerned with management and also with problems of reorganization of the subsidiary companies, as above set forth; that during this period also there have been questions of income tax deficiency assessments which have been largely eliminated as a result of services rendered by your Trustee with substantially no additional expense to said subsidiary companies or to the Debtor herein, and which have resulted in substantial savings to the Debtor herein and its subsidiaries; that during said eight-year period from 1935 to 1943, your Trustee has

devoted all of his time to his duties as Trustee of said Federal Facilities Realty Trust, the Debtor here-

in, and as Trustee of National Realty Trust, companion common law trust, also under reorganization at the present time before this Court and numbered Case 58335; that your Trustee's services to the Debtor estate herein have been of great value to said estate in that the constructive programs and policies adopted by your Trustee have greatly enhanced the actual and potential value of the chief asset of said Debtor corporation, namely, the stock equities of the fourteen subsidiary companies; that attached hereto and marked Exhibit D is a communication signed by Paul E. Darrow, dated October 1, 1943 and addressed to the Honorable William H. Holly, United States District Court, Chicago, Illinois, which sets forth in summary form the beneficial services rendered to said Debtor estate by Paul E. Darrow as Trustee herein; that as above set forth your Trustee has heretofore received on account the sum of \$27,843.63, allowed to him by orders of this Court, and in addition thereto, has received the sum of \$6,250, allowed to him by order of this Court for his services in reorganizing four of the subsidiary corporations of the Debtor herein; that your Trustee, in view of the time spent, services performed, and the results obtained in and about the reorganization proceedings herein covering a period in excess of eight years, believes that at this time the allowance by this court of the sum of \$5,000 would represent a fair and reasonable final allowance to him as Trustee in payment of the balance of fees due him for the services performed herein.

27. That your Trustee by leave of Court first had and obtained, employed the firm of attorneys of Adams Nelson

& Williamson as counsel to assist and advise him in the within proceedings; that said firm of attorneys has filed herein its petition seeking compensation for services rendered by it to your Trustee; that your Trustee recommends that a reasonable allowance be made to said firm of at-

torneys.

28. Your Trustee represents that he has in all matters throughout this proceeding followed the directions of this Honorable Court as given to him by orders of Court entered herein, and requests that all his acts as Trustee from the date of his appointment on April 25, 1935 to and including August 13, 1943 be approved by this Honorable Court.

. Wherefore, your Trustee prays that an order may be.

entered herein:

1. Approving the statements entitled "Federal Facilities Realty Trust, National Realty Trust, and Their Subsidiary Corporations. Financial Statements as at May 31, 1935, August 17, 1935" and "National Realty Trust. Financial Statements as at May 24, 1935. August 30, 1935", prepared by Scovell, Wellington & Company and heretofore filed herein, as in compliance with orders of this Court heretofore entered herein, and approving said statements.

-2. Approving the statement hereto attached marked Exhibit B and entitled "Summary of Cash Receipts and Disbursements, Period from June 1, 1925 to August 13,

3. Approving the statement hereto attached marked Exhibit E and entitled "Paul E. Darrow, Chairman Ac-

4. Approving this Report and Account of Paul E. Darrow as Trustee and all of his acts as Trustee herein from the date of his appointment and qualification as Trustee, April 25, 1935, up to and including August 13, 1943.

5. Fixing the amount of additional compensation due

Paul E. Darrow, as Trustee herein, at this time.

6. Discharging him from any and all liability as Trustee herein and cancelling his bond.

7. Providing that Stacy Mosser, Successor Trustee

herein, be required:

16 (a) To assume and agree to pay Paul E. Darrow, your Trustee, such additional sum as may be fixed

and allowed at this time by this Court to Paul E. Darrow for services rendered as Trustee herein, as requested in

this petition.

(b) To assume and pay to Adams Nelson & Williamson as attorneys for Paul E. Darrow, as Trustee herein, such sums as may be allowed by this Court for services rendered by them to Paul E. Darrow as Trustee, for the period commencing April 25, 1935 down to and inclusive of August 10, 1943 and for services rendered subsequent to August 10, 1943 involving the preparation and filing of the final report and account of Paul E. Darrow as Trustee, as required to be prepared and filed by the order dated August 10, 1943 appointing Stacy Mosser as Successor Trustee herein in lieu of Paul E. Darrow, Trustee resigned.

8. Granting your Trustee such other and further relief

as to this Honorable Court shall seem meet.

Paul E. Darrow
As Trustee of Federal Facilities Realty
Trust, a common law trust, Debtor.

District of the United States)
State of Illinois) ss.
County of Cook

Paul E. Darrow, being first duly sworn, deposes and says that he formerly was the Trustee of Federal Facilities Realty Trust, a common law trust, Debtor in these proceedings; that he has read the foregoing Final Report and Account and Petition by him subscribed; that he knows the contents thereof; and that the same is true.

Paul E. Darrow

Subscribed and Sworn to before me this 15th day of October, 1943. Agnes Stasio Notary Public

(Seal)

17

IN THE DISTRICT COURT OF THE UNITED STATES
For the Northern District of Illinois
Eastern Division

(Caption-No. 58334)

AFFIDAVIT OF TRUSTEE

District of the United States)
State of Illinois) ss
County of Cook)

Paul E. Darrow, being first duly sworn, on oath deposes and says that he formerly was the Trustee of Federal Facilities Realty Trust, a common law trust, Debtor; that as such Trustee he performed services on behalf of said Federal Facilities Realty Trust; that no agreement has been made, directly or indirectly, and that no understanding exists for a division of fees between him and the Debtor, any creditor of the Debtor, the attorney of any of said parties, or with any other person.

Paul E. Darrow

Subscribed and Sworn to before me this 15th day of October, 1943. Agnes Stasio Notary Public

(Seal)

18

EXHIBIT A.

Summary Present Status Underlying Companies Federal Facilities Realty Trust as of August 13, 1943.

Chicago Post Office Service Building Corporation owns the three story brick and concrete fire-proof building located at 1015-55 West Congress Street, Chicago, Illinois which was erected in 1926 for lease to the Post Office Department at an annual rental of \$94,000. It has been occupied continuously since the government moved from the building. When the property was vacated in December, 1938, same was leased to Goldblatt Brothers at an annual rental of \$20,000, rental to begin February 1, 1939 with the exception of a portion of the first floor space which was later leased to the Chicago Truck Leasing Company

beginning April 1, 1939 at an annual rental of \$6,000, making the total annual income from this property \$26,000. The lease with Goldblatt Brothers provided for them furnishing their own heat, including the space later occupied by the Chicago Truck Leasing Company. Beginning October 1, 1941 the Chicago Truck Leasing Company rental was increased to \$10,000 annually which rate they paid up to and including June, 1942. In the fall of 1942 negotiations were started with the General Motors Truck & Coach Division for leasing a portion of the building and cancellation of the Goldblatt Brothers lease as well as leasing the space formerly occupied by the Chicago Truck Leasing Company. This has brought about leases being entered into with the General Motors Truck & Coach Division together with four other tenants, including rental of the basement, bringing the total annual rental for the building up to \$59,349.12.

A reorganization of the indebtedness on this property resulted in extending all bonds to November 1, 1956 and reducing First Mortgage interest from 5½% to 5% per annum on a cumulative basis and from 6¼% to 4% on the General Mortgage bonds on a non-cumulative basis. The plan provides for 3% interest being paid on First

Mortgage bonds and 2% on Second Mortgage bonds. 19 after which earnings are divided into two equal parts, one-half for Sinking Fund and the other one-half for additional interest payments on the First Mortgage bonds and additional sinking fund. Interest has been paid continuously at the rate of 3% per annum on First Mortgage bonds since reorganization and an additional 1% on First Mortgage bonds was distributed May 1, 1938, leaving unpaid accumulations on First Mortgage bond interest of 13%. I% has been paid on the General Mortgage bonds each six months up to May 1, 1939 and 1/2 of 1% was paid on May 1, 1941, no other interest payments having been made on the General Mortgage bonds. Since reorganization First Mortgage bonds have been reduced from \$580,-500 to \$418,000 and the General Mortgage bonds from \$112,300 to \$80,300. The present income from the property, if maintained, will permit interest to be paid at the full rate of 5% on the First Mortgage bonds and 4% on the General Mortgage bonds as well as provide for payment on accumulations of First Mortgage interest and sinking fund as contemplated under the plan. All taxes are in current position.

Columbus Parcel Post Building, Inc. owns a three story building located at 52-62 East Spring Street, Columbus, Ohio, which building is leased entirely to the Post Office Department under a non-cancellable lease running to May, 1947 at an annual rental of \$54,250.00. No reorganization of the indebtedness on this property was necessary as the income is sufficient to pay ground rental, operating expenses, 6½% interest on First Mortgage bonds and serial maturities as they mature. The First Mortgage leasehold bond issue has been reduced from \$261,500 to \$168,500 including bonds held in the treasury uncanceled. All taxes are in current position.

Station "D" Building Corporation owns a one story and part two story brick building which was originally erected for post office purposes but remained vacant for some time after being vacated by the government. It is pres-

ently leased by one firm which has been in the premises for three years starting at an annual rental of \$2,700.00 with an increase of \$300.00 annually and a new lease was entered into beginning August 1, 1943 for two years providing for an annual rental of \$3,600.00. The 25 feet of vacant property adjoining the building on the north is also owned by the company. Reorganization of the indebtedness on this property resulted in issuing one share of common stock for each \$100.00 par value of bonds for which 1,039 shares were authorized and the Federal Facilities Realty Trust received 50 shares for its equity. acquired \$30,000 of the bonds in the Federal Facilities Realty Trust at a cost of \$996.00 which were exchanged for 300 shares of stock, giving the Federal Facilities Realty Trust approximately a 25% ownership in this property at a nominal cost. All general real estate taxes are in current position. There is still \$1,800.00 unpaid on attorneys fees which are being paid as earnings permit, after which \$1,327.54 due in accounts payable will likewise be paid and there will be no indebtedness on this property other than special assessments which will be given attention in due course.

Dallas Parcel Post Station, Inc. owns a two story brick and part basement fire-proof building covering an entire square block, fronting 200 feet on Young, Austin, Market and Wood Streets, Dallas, Texas. The building was completed in 1936 and leased to the Post Office Department at an annual rental of \$59,000.00. The Post Office Depart-

ment vacated the building at the time of erecting its own post office building in Dallas, Texas, since which time \$20,277.18 has been expended for improvements to make the premises suitable for commercial purposes, all of which have been paid from earnings of the property. The property is now completely rented to five tenants at \$18,600.00 annually which includes \$600.00 annually for the basement which has just been rented on a month to month basis at \$50.00 per month. All taxes are in current position and the property is under the supervision of a trust committee.

Reorganization resulted in maturity of the bonds be21 ing extended to September 15, 1950. The interest date
on the First Mortgage bonds was reduced from 6% to 3% on a cumulative basis and on the Second Mortgage bonds from 6% to 2% non-cumulative. Interest coupons on First Mortgage bonds up to September 15, 1939 have been paid and it is contemplated that March 15, 1940 coupons will shortly be paid. No interest is being paid on the Second Mortgage bonds at this time. The First Mortgage issue has been reduced from \$386,500 to \$282,000 including bonds held in treasury and the Second Mortgage

issue from \$40,000 to \$26,000.

Ferry Station Post Office, Inc. owns the four story fireproof building located at Washington, Merchant and Embarcadero Streets, San Francisco, California which was completed in 1924 and leased entirely to the post Office Department at an annual rental of \$107,300. Office Department built its own building in San Francisco which resulted in temporarily leasing the building for warehouse purposes at an annual rental of \$19,500 and in December, 1941 lease was negotiated with the United States Government for use of the entire building upon completion of alterations at an annual rental of \$90,000 for the first year, \$85,000 for the second year, \$80,000 for the third year, \$75,000 for the fourth year and \$70,000 for the fifth year of the lease, said lease however providing that same terminate each year on June 30th and subject to renewal by option contained therein at the rentals stated. It was necessary to spend \$51,868.21 in remodeling the building for which the necessary financing was arranged and which has since been paid out of earnings. The indebtedness on the property was reorganized by extending the maturity date of the bonds to June 1, 1952 and reducing the interest rate on First Mortgage bonds from 6% to 3%

on a cumulative basis which has been paid continuously at that rate with the exception of December 1, 1941 when 1% was distributed and the balance of ½ of 1% was added to the principal of the bonds and is payable at maturity. The Second Mortgage bond interest was reduced from 7% to 1% non-cumulative. ½ of 1% interest was

distributed on Second Mortgage bonds on December 1, 1940 and 1% on December 1, 1942, and ½ of 1% on June 1, 1943. I acquired \$82,200 of the Second Mortgage bonds which are currently held by the Federal Facilities Realty Trust at a cost of \$868.50 on which interest received to date by the Trust is \$3,170.00 and they are currently receiving \$822.00 annually. The reorganization plan provides that after payment of operating expenses and taxes, 3% interest on First Mortgage bonds and 1% interest on Second Mortgage bonds, the balance be used for retirement of First Mortgage bonds. Since reorganization, First Mortgage issue has been reduced through operation of the sinking fund from \$655,300 to \$273,100. There has been no reduction in the Second Mortgage bonds which remain at \$197,900, but as stated before \$82,200 of these

bonds have been purchased for the Trust.

Irving Park Post Office Building Corporation owns the one and two story brick building located at the southeast corner of Cicero and Byron Streets, Chicago, Illinois occupied entirely by the Post Office Department under lease running to September 30, 1944 at an annual rental of \$5,050.00. This property upon completion was originally leased for \$12,850.00 annually which rental, however, included furnishing heat, light and water which is not provided for under the present lease. Reorganization proceedings resulted in First Mortgage bond interest being reduced from 61/2% to 3% cumulative and Second Mortgage interest from 7% to 1% non-cumulative with the balance to be used for retirement of First Mortgage bonds until paid off, then to be used in retirement of Second Mortgage bonds. The maturity date of all bonds was extended to June 15, 1950. Since reorganization the First Mortgage issue has been reduced from \$47,000 to \$32,500, the Second Mortgage issue from \$40,000 to \$28,500. All taxes are in current position. Interest is paid regularly each six months as provided under the plan.

McKinley Park Station Building Corporation owns the one and two story building located at 3405-09 Archer Ave-

nue including the vacant property adjoining on the west running to the corner which was originally 23 leased to the Post Office Department at \$8,600.00 annually. Reorganization proceedings resulted in balance of First Mortgage bond issue of \$44,000 being extended to January 1, 1951 and the interest rate being reduced from 6½% to 3% per annum. Since reorganization, some difficulty has been experienced in renting this property but it is currently rented at \$3,496.44 annually. The bond issue has been reduced from \$44,000 to \$25,500 of which \$8,000 are held by the Federal Facilities Realty Trust. All taxes are in current position. Interest has been paid since reorganization from July 1, 1935 to July 1, 1937 at 3% per annum. No payments were made in

1938 and 1939; 11/2% in 1940; 3% in 1941; 11/2% in 1942 and 3% in 1943.

North Halsted Post Office Building Corporation owns the one story brick building located at 913-15 Montana Street, Chicago, Illinois which is currently rented to the State of Illinois Unemployment Department at \$5,700.00 annually including heat and janitor service. The property was originally erected for the use of the Post Office Department and leased for ten years at an annual rental of \$7,500.00 which rental did not include furnishing heat, light and water. A voluntary reorganization without court proceedings was effected on this corporation reducing the interest rate on bonds of 61/2% to 3% and extending the maturity date to April 1, 1950. Considerable difficulty was had in securing a tenant for this building after it had been vacated by the Post Office Department due to the existing zoning ordinance. An effort was made to secure a change in the ordinance on this block without success but eventually we were able to lease it for its present purposes. Since reorganization, the bond issue has been reduced from \$61,500 to \$45,700. Taxes are in current position.

Quincy Station Post Office Building Corporation owns the four story brick building located at the northeast corner of Jefferson and Quincy Streets, Chicago, Illinois. This building was originally erected in 1921 for post office purposes and leased at an annual rental of \$123,500.00 This Corporation was reorganized in 1935 as it was learned that the Post Office Department was going to erect its

own building and move from the premises. The lease 24 was non-cancellable. Therefore, the Post Office Department was obliged to pay the rental until May, 1941 which permitted interest to be paid at the rate of 5% per annum in accordance with reorganization plan up to and including January 1, 1942. The plan provided for a reserve of \$60,000.00 for remodeling of the building. The actual cost of remodeling done to date was \$66,739.58. The First Mortgage bond issue has been reduced from \$934,500 to \$318,500. The Second Mortgage from \$82,700 to \$32,800. The interest rate on the First Mortgage bonds was reduced from 6% to 5% cumulative and the Second Mortgage bonds from 61/2% to 5% non-cumulative. property is now leased to three tenants at an annual rental of \$26,994.96. The July, 1942 interest coupon has been taken up and funds are now available with which to pay the January 15, 1943 coupons as soon as same is approved by the Board of Directors. All taxes are in current position.

Roseland Building Corporation owns the building located at 17-23 East 115th Street, Chicago, Illinois formerly occupied by the Post Office Department at an annual rental of \$9,200.00. Same is a one and two story brick building now occupied by the Lakeside Metal Service, Inc. at an annual rental of \$1,800.00 which lease entered into a little more than a year ago, provided for a rental of \$1,500.00 for the first year with an increase of \$300.00 annually for four years. Great difficulty was experienced in leasing this property due to its location not being readily accessible. Reorganization of this corporation has been delayed due to unstability of tenancy but is ready to be completed at this time. There are \$62,100 First Mortgage bonds outstanding but I have acquired \$18,900 of the bonds for the account of the Federal Facilities Realty Trust at a nominal cost. I have loaned funds to this corporation to pay taxes and operating expenses on which there is a balance due of \$600.00 which is to be paid from the current income.

United States Building Corporation owns the one story brick building located on 15th, 16th and Walnut Streets, St. Louis, Missouri which was originally erected in 1922

as a post office garage and was leased at an annual 25 rental of \$35,750.00. Considerable difficulty was experienced in renting this property at the time the government vacated same but it is now leased to the Columbia Terminals Company for ten years running to May

31, 1946 at \$11,000.00 per annum, the following five years at \$12,500.00 per annum with an option for five additional years at \$15,000.00 per annum. In order to secure this tenant, it was necessary to expend \$26,629.35 for remodeling plus a real estate broker's commission of \$3,525.00, The plan of reorganization provided for setting aside a remodeling fund so that \$7,399.20 was applied toward the cost of said remodeling and the balance of \$22,755.15 was advanced for the Columbia Terminals Company which was to be deducted monthly at the rate of \$189.63. Shortly after the Columbia Terminals Company moved into our building one of their gasoline tanks exploded and caused a serious fire loss which was settled for \$25,386.71. It was not necessary to replace all of the items which had been destroyed so that \$2,565.36 was reserved for this fund and applied to the remodeling cost which together with a balance of \$1,273.39 of remodeling fund was remitted to the Columbia Terminals Company, thereby reducing the amount withheld monthly by approximately \$31.00. Since reorganization the First Mortgage bondholders have been paid interest at the rate of 5% per annum for the year 1938, 4% for 1939, 31/2% for 1940 and 11/2% for 1941, no interest on same having been paid between February 1, 1941 and February 1, 1943 when 11/2% was distributed. The Second Mortgage bondholders have received 3% for 1938, 21/2% for 1939, 2% for 1940 and 1% in 1941, no payment having been made since 1941. The First Mortgage bond issue has been reduced from \$156,100 to \$98,400. The Second Mortgage bond issue has been reduced from \$97,-000 to \$63,100. All taxes are in current position.

South Side Post Office Service Building Corporation owns the one story brick garage located at 6141-51 South Wabash Avenue, Chicago, Illinois which was completed in 1926 and leased to the Post Office Department at an annual rental of \$8,750.00, said lease expiring December 4, 1936 when a new ten year lease was entered into at an annual rental of \$6,200.00, the later lease containing the usual ninety day cancellation clause in favor of the gov-

26 ernment. The reorganization in 1936 provided for extension of maturity of the bonds to August 1, 1950 and for reduction of interest from 6½% to 3% per annum non-cumulative which rate has been paid each six months up to and including August 1, 1943. The bond issue has been reduced from \$69,000 to \$29,900, of which the Feder-

al Facilities Realty Trust now owns \$6,200.00. All taxes

are paid to date.

Twenty-Second Street Station Building Corporation owns the one and two story building located at 2211-19 South State Street, Chicago, Illinois, completed in 1922 for post office purposes and leased at an annual rental of \$20,000.00; lease provided for furnishing heat, light and water. The present lease on the premises entered into in 1931 for a period of ten years which contains the usual ninety day cancellation clause in favor of the government provides for an annual rental of \$7,800.00. It does not require furnishing heat, light and water. Reorganization of the company in 1936 resulted in the bonded indebtedness of the company being extended to December 1, 1950 and the interest rate being reduced from 61/2% to 3% non-cumulative which rate has been paid each six months as due. Since reorganization this indebtedness has been reduced from \$128,000 to \$92,700 of which I have acquired \$18,500 of the bonds for the Federal Facilities Realty Trust at an average cost of \$22.00 per hundred and we are currently bidding 40 for same. All taxes on this property are in current position.

Villa Building Corporation owns the one story garage building located at 2366 East 69th Street, Chicago, Illinois having a frontage of 30 feet, a depth of 300 feet. This building was erected to service the South Shore Villa and has a capacity of approximately forty cars. Reorganization of this property completed in 1938 extended the maturity of the First and Second Mortgage for a period of fifteen years to August 1, 1953, interest to be paid at the rate of 3% per annum on the First Mortgage issue non-cumulative, balance of earnings to be used for retirement of bonds. The Second Mortgage bears interest at the rate of 3% per annum non-cumulative. Earnings

have not been sufficient to permit interest being paid on First Mortgage bonds due to reduction in service charge for automobiles as well as vacancies and increased operating expenses. All taxes are in current position. There has not been any reduction in the principal indebtedness of this corporation by the corporation but I acquired \$16,500 of the First Mortgage bonds at an average of \$6.56 per hundred, which bonds are presently

held by the Federal Facilities Realty Trust.

PAGE E. BARDIN, TRISTER

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October 1, 1943

EXHIBIT "D"

Hon. William H. Holly United States District Court Chicago, Illind

In Re: Federal Facilities Realty Trust, Debter

Dear Sir:

As trustee under appointment of this Court I took over the assets and control of the Federal Facilities Realty Trust and the National Realty Trust as of June 1, 1935. I also assumed responsibility for the management and

operation of the twenty-seven subsidiaries.

The Federal Facilities Realty Trust owned the stock equity in fourteen real estate corporations and the National in thirteen. All had bonds outstanding with a claim prior to that of the equity. Both trusts owned bonds of the subsidiaries, as well as the stock, except in three where the National had a reversionary interest if the bonds were paid at maturity.

As Trustee for the two parent companies I became

President of each of the subsidiaries.

My obligation as Trustee of the two parent companies was to so operate the subsidiaries that the value of the stock equity would increase.

My obligation as President of the subsidiaries was to the stockholders (the parent companies) but only as the claims of the bondholders were fairly protected could I

perform my obligation to the stockholders.

I could have assumed the attitude that there was nothing for a Trustee to do but sit still and handle the properties to the best of his ability and allow money to accumulate and exercise no business judgment to increase the value of the property placed in his care. On the other hand I could use my best ability and that of my associates to have the property increase in value as I would have wished if I had personally owned these properties.

I preferred to do my best to increase the value of the properties and investments of all the security holders. I believe all interested in these properties have benefitted

by this attitude.

I realized that no progress could be made toward my goal without the best assistance I could get and that only through the whole-hearted cooperation of all could this

progress be made. I retained the services of Mr. Jacob Kulp and Miss Myrtle Johnson who had organized the properties and were thoroughly acquainted with them and knew the great majority of the bondholders. I have had the finest cooperation and assistance from them and from the bondholders. I could not have found people who would have given me more willing and competent assistance and the success of the work of the last eight and one-half years has been due as much to them and my other associates as to me.

Our principal difficulty has been the change in policy of the Post Office Department who formerly rented many of our buildings. Shortly before I became trustee the Post Office Department entered on a policy of building

for itself rather than renting. This resulted in fear 31 by those who had Post Office securities and in our inability to pay interest and meet maturities as they came due.

In consequence, it became necessary to reorganize twelve of the Federal and five of the National group of properties. In each of these reorganizations we were able to retain the equity ownership for the parent companies. Previous to this, six of the National had been reorganized without being able, in all instances, to retain the equity.

During this period we were able to pay approximately \$150,000 of back real estate taxes. All were paid out of earnings and all taxes are now paid as bills are rendered, except in Station "D" in which there are some special assessments still unpaid. Reorganization expenses also were paid from earnings. In no case did we make loans which would be liens prior to the liens of the bondholders.

During this period we have had improper income tax deficiency assessments of approximately \$200,000 which after many conferences and several trips to Washington we have been able to eliminate. All this has been handled with substantially no outside help or expense. This has been possible largely through the help of one of my associates—Mr. Claire M. Marquiss.

In June, 1935 there were \$7,611,700 bonds outstanding with a claim prior to that of the parent companies. In a few of the reorganizations stock of the same par value was given for bonds which were eliminated. There are outstanding today \$5,197,100 bonds and stock with a claim

prior to stock equity of the parent companies, a reduction

of 34% of prior claims.

In June, 1935 the parent companies owned \$622,500 senior securities of the underlying companies while today they own \$1,070,600 senior securities, an increase of 72%. In no instance did the parent company buy securities of the underlying companies if they were able to buy them themselves and in many instances the parent companies loaned the subsidiaries the money to purchase for their own account.

During this period we bought \$262,800 par value of the underlying securities of the Federal group for the parent trust. The cost was \$31,864.55. On these securities the income to the parent company has been \$24,494.34 leaving the net cost \$7,370.21. The current yearly income is \$3,765.50 and at prices prevailing August 13, 1943 they were worth \$38,321.50.

During this period we bought \$175,000 par value of the underlying securities of the National group for the parent trust. The cost was \$47,469.25. On these securities the income to the parent company has been \$21,412.81 leaving the net cost \$26,056.44. The current yearly income is \$3,802.30 and at prices prevailing August 13, 1943 they were worth \$56,635.00.

Stated in another way—in June, 1935 the parent companies owned the subsidiaries subject to prior claims of \$6,989,200 and today they own substantially the same companies subject to prior claims of \$4,126,500 (each figure is after eliminating underlying securities owned by the

parent trusts).

We have never urged people to sell their securities 32 to us or anyone else. In many instances it has been difficult to secure the money to purchase the securities that have been offered to us but we think our obligation to bondholders who wish to sell is as great as to those who wish to hold. I know that as a result of our willingness to buy, those security holders who wished to sell have been able to get a better price than if they would have had only a speculative market on which to depend.

During the last eight and one-half years the parent companies have loaned to the subsidiaries \$111,695.00 of which \$101,175.00 has been repaid, leaving a balance outstanding of \$10,520,00, on August 13, 1943. Since that, additional repayments of \$1,420,00 have been made, leav-

ing balances due of \$9,100.00 which should be repaid with-

in the next six or eight months.

As the Court's representative, I have spent more than eight years supervising these properties. My associates and I have given our best abilities to handling these for the best interests of the security holders. I am proud

of what we have accomplished.

This experience of eight years has given me information which I think should be of value to the Court and the representatives of the security holders. I realize that in the last analysis the credit for the success or the blame for the failure accrues to the Court as well as his representative. In the hope that my judgment may be useful I would suggest that the success of this operation is dependent on management, those who are daily in charge. Any interference with competent management will be disastrous and will mean loss to people who cannot afford to lose. Mistakes will be made, and if corrected, should be overlooked if the whole operation is good. Only those who lack experience will disagree.

Very truly yours, Paul E. Darrow 7015 S. 20200, CLUSTON MOUNT

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PAUL B. DARRING, CHAIRMAN ACCOUNT

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PAUL B. DARNOY, CHAIRMAN ACCOUNT

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And on, to wit, the 15th day of October, 1943, came the Trustee, Paul E. Darrow, by his attorneys and filed in the Clerk's office of said Court his certain Final Report And Account From December 1, 1940 to and Including August 13, 1943, And Including Request For Allowance of Additional Fees For Services Rendered As Such Trustee, in Case No. 58335 in words and figures following, to wit:

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IN THE DISTRICT COURT OF THE UNITED STATES

For the Northern District of Illinois

Eastern Division

(Caption-No. 58335)

FINAL REPORT AND ACCOUNT OF PAUL E. DARROW, TRUSTEE, FROM DECEMBER, 1, 1940 TO AND INCLUDING AUGUST 13, 1943, AND INCLUDING REQUEST FOR ALLOWANCE OF ADDITIONAL FEES FOR SERVICES RENDERED AS SUCH TRUSTEE.

To the Honorable William H. Holly, Judge of said Court: Now comes your Trustee, Paul E. Darrow, and respect-

fully represents as follows:

1. That on December 12, 1940 there was filed herein your Trustee's Report and Petition for Approval Thereof; that said report briefly summarized the history of the proceedings herein and the acts and doings of your Trustee in managing the business of the Debtor from May 24, 1935, the date of the approval of the petition of certain creditors herein, down to and inclusive of November 30, 1940; that said report fully outlined the scope of the duties of your Trustee as provided by orders of this Court, the management of the subsidiary corporations of the Debtor herein, and the problems arising therefrom and the progress of the reorganization of the subsidiary corporations up to that date.

2. That upon the filing of said Trustee's report and petition this Court set a hearing on such report and petition and any objections that might be filed thereto for December 30, 1940; that on December 30, 1940 the matter was continued to January 31, 1941 and that at that time Order Approving Trustee's Report was entered by this

Court, providing as follows:

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"1. The Trustee's Report And Petition For Approval Thereof filed herein on December 12, 1940 by Paul E. Darrow, Permanent Trustee, be and the same

"2. The statements entitled "Federal Facilities Realty Trust, National Realty Trust, and Their Subsidiary Corporations. Financial Statements As At May 31, 1935, August 17, 1935," and "National Realty Trust. Financial Statements As At May 24, 1935. August 30, 1935", prepared by Scovell, Wellington & Company and heretofore filed herein, be and the same are hereby approved as in compliance with orders of this Court heretofore entered herein, and said statements be and the same are hereby approved.

"3: The statement attached to the said Trustee's Report And Petition For Approval Thereof, marked Exhibit B, and entitled "National Realty Trust. Statement of Cash Account June 1, 1935 to November 30, 1940" be and the same is hereby approved as in compliance with the order of May 24, 1935 of this Court, and said statement be and the same is hereby ap-

proved.

"4. All acts of Paul E. Darrow as Trustee herein from the date of his appointment and qualification as Trustee on May 24, 1935 to and including November 30, 1940, be and the same are hereby approved."

3. In your "Trustee's Report And Petition For Approval Thereof" filed herein on December 12, 1940 your Trustee reported that he had continued the operation of the business of the Debtor which is a common law trust owning all or a portion of the equity in some thirteen subsidiary corporations; that reorganizations of these subsidiary corporations were required and at the time of the filing of the above report had been substantially completed; that a statement concerning the status of such reorganizations was attached to said report, marked Exhibit A, and was made a part thereof; that your Trustee now reports that all of said subsidiaries have been reorganized where necessary with the exception of the La-Grange Post Office Building Corporation, on which no action has been taken due to uncertainty of tenancy of the property; that attached hereto is a statement entitled "Summary Present Status Underlying Companies, National Realty Trust, Since Report Filed As Of November 30, 1940," marked Exhibit A and made a part hereof, which statement sets forth the status of said subsidiaries

as of August 13, 1943.

40 That attached to the Trustee's Report And Petition For Approval Thereof filed herein on December 12, 1940, marked Exhibit B, and made a part thereof was a statement entitled "National Realty Trust. Statement Of Cash Account June 1, 1935 To November 30, 1940," setting forth in summary form your Trustee's conduct of the business of the Debtor for that period; that attached hereto marked Exhibit B is a statement entitled "Summary Of Cash Receipts And Disbursements For Period December 1, 1940 To August 13, 1943" showing all income received by your Trustee for said period, together with detailed statement of disbursements; further, that attached hereto, made a part hereof, and marked Exhibit C is a statement entitled "Summary Of Cash Receipts And Disbursements For Period June 1, 1935 To August 13, 1943," same being a consolidated statement of cash receipts and disbursements covering the entire period of the trusteeship of your Trustee; that your Trustee continued the practice, set forth by him in his previous report, of using surplus funds from time to time for the purchase of securities of subsidiary corporations of the Debtor; that the total amount of the securities of subsidiary corporations purchased by your Trustee as aforesaid amounted to a face value of \$175,000 and required the expenditure of \$47,469.25; that interest received on securities of subsidiaries purchased by your Trustee subsequent to his appointment totalled on August 13, 1943, \$21,412.81; that such securities at prices prevailing on August 13, 1943 had a value of \$56,635 and are producing an annual income as of August 13, 1943, of \$3,802.30, all of which is more fully explained in communication addressed to the Honorable William H. Holly, United States District Court, Chicago, Illinois, signed by Paul E. Darrow, dated October 1, 1943 marked Exhibit D. attached hereto, and made a part hereof.

5. That in the conduct of the Debtor's business as aforesaid your Trustee has made advances to subsidiary corporations where he deemed it advisable; that the present outstanding amount of such advances is \$6,500 as shown on Exhibit C hereto attached and made a part

41 hereof, which amount your Trustee expects to be re-

paid within a reasonable time.

form your Trustee's conduct of the business of the Debtor over the entire period of your Trustee's management thereof from 1935 to 1943 inclusive; reference is here made to Exhibit B hereto attached and made a part hereof, which shows in greater detail particular receipts and expenditures for the period December 1, 1940 to August 13, 1943, which, together with the detail as set forth in Exhibit B attached and made a part of Trustee's Report and Petition For Approval Thereof heretofore filed herein on December 12, 1940, comprise a complete report of your Trustee's cash receipts and disbursements as summarized under statement marked Exhibit C, attached hereto and made a part hereof.

7. Attached hereto, marked Exhibit E, and made a part hereof is a document entitled "National Realty Trust, Balance Sheet As At August 13, 1943." This statement is from the books and records of the Debtor as taken over by your Trustee and does not reflect present values. Your Trustee presents it only for purposes of general

information.

8. That the National Realty Trust was originally formed under a Declaration Of Trust dated July 2, 1930 by Jacob Kulp, Lee H. Kulp, and M. Johnson, who thereupon became the trustees of the said National Realty Trust; that on July 27, 1933 the said Jacob Kulp, Lee H. Kulp, and M. Johnson resigned as trustees and were succeeded by George H. Andresen and Harry R. Holden as trustees of said common law trust; that thereafter on December 20, 1939 the said George H. Andresen resigned as trustee, president, and treasurer of said trust and was succeeded by Paul E. Darrow, as Trustee herein, as Trustee, president, and treasurer of said trust, who has continued to act as such trustee, president, and treasurer

42 of said trust down to the date hereof; that the said Harry R. Holden on the same date resigned as trustee, vice-president and secretary of said trust and was succeeded by George Sullivan as trustee, vice-president, and secretary of said trust; that at the same time Max Levy was elected a trustee of said trust; and that the said George Sullivan and Max Levy have been acting as trustees of said trust along with said Darrow down to the

date hereof, but that all of said trustees have been inactive due to the trusteeship of Paul E. Darrow, your Trustee herein.

9. At various times, upon motion of the Securities and Exchange Commission, various provisions of Chapter X of the Bankruptcy Act have been by order of this Court applied to the within proceedings. For more complete information as to said provisions, reference is made to orders entered herein dated January 31, 1941 and August

5, 1943.

10. On January 19, 1942 an order was entered herein upon the application of the Securities and Exchange Commission appointing Frederick B. Andrews, an independent public accountant, and authorizing and directing him to make a thorough financial investigation and to report thereon to the Court with respect to certain matters as more fully outlined in said order; that on May 20, 1942 an order was entered herein modifying in certain particulars various provisions of the order of January 19, 1942; that thereafter said Frederick B. Andrews filed in the Court herein on the dates set forth below the following documents:

June 24, 1942—"Report on Certain Transactions in Securities Issued by the Debtor and Its Subsidiaries"

July 9, 1942—"Comparative Balance Sheets, December 31, 1941 and May 31, 1935, and

Statements of Income and Surplus By Periods
—From June 1, 1935 to December 31, 1941 (Per Books—Without Analysis or Adjustment) of the Debtor Herein and Its Subsidiaries"

August 5, 1942—"Report on Pay Roll Accounts, Janu-

ary 22, 1937 to December 31, 1941"

3 Your Trustee represents that said reports have been

available to all parties in these proceedings:

11. That thereafter the said Frederick B. Andrews filed herein his petition for compensation for said work as authorized and directed in said orders of January 19, 1942 and May 20, 1942, requesting a total amount of compensation in the sum of \$9,893.95, of which \$4,859.05 related to the estate of Federal Facilities Realty Trust, companion Debtor in case No. 58334, and \$5,034 to the estate of the Debtor herein; that there has been paid on account of said services by the Debtor, pursuant to orders of this

Court, the amount of \$3,063.32 as shown in Exhibit B; that the balance of said sum, or the difference between the amount requested and the amount paid on account, amounting to the sum of \$1,980.68 has been questioned by your Trustee and is pending before this Court.

That at the time of the appointment of your Trustee herein, George H. Andresen and Harry R. Holden were Trustees of the Debtor herein and of Federal Facilities Realty Trust, heretofore referred to as companion proceeding; that George H. Andresen was chief executive of both trusts and of the subsidiary corporations of the respective trusts: that at the time of the appointment of your Trustee herein there was in the hands of said Andresen certain assets of both Trusts and various subsidiary corporations, consisting of \$15,419.69 in cash and various securities; that shortly after the appointment of your Trustee the said Andresen delivered said cash funds amounting to \$15,419.69 and said securities to your Trustee, as Trustee of Federal Facilities Realty Trust, companion proceeding as above set forth, and as Trustee of National Realty Trust, the Debtor herein; that since the receipt of said funds and securities from said Andresen your Trustee has managed said funds and said securi-

44 ties in a separate account entitled "Paul E. Darrow, Chairman Account"; that attached hereto and made a part hereof, marked Exhibit F, is a statement entitled "Paul E. Darrow, Chairman Account," showing all operations of Paul E. Darrow as Trustee herein in said account since receipt of said account down to and inclusive of

September 30, 1943.

13. Shortly prior to August 10, 1943 your Trustee submitted in writing his resignation to the Honorable William H. Holly, Judge of said Court, as such Trustee, and this Court entered an order on August 10, 1943 appointing Stacy Mosser Successor Trustee; that said order fixed Mr. Mosser's bond as Successor Trustee in the sum of \$25,000, which bond was duly filed in this Court and approved by order dated August 11, 1943; that Mr. Mosser thereafter as of August 13, 1943 took possession of the property and assets of said Debtor as Successor Trustee and since said date has been managing and operating the business of the Debtor.

14. Attached hereto, marked Exhibit E, to which prior reference has been made, is a statement entitled "National

Realty Trust, Balance Sheet As At August 13, 1943," which shows cash on hand and in bank in the sum of \$4,379.02, together with various accounts and notes receivable, and together with bonds of subsidiary companies, all of which your Trustee Paul E. Darrow has turned over as of August 13, 1943 to Stacy Mosser, Successor Trustee herein.

15. That for the period beginning June 1, 1935 and ending July 31, 1943 your Trustee received on account compensation at the rate of \$500 per month, which payments, under orders within the proceedings herein and within the Federal Facilities Realty Trust proceeding dated July 26, 1935, were to be divided between the said Debtors in the proportion which the income of each Debtor

from month to month bore to the combined income of
both said Debtors in each month; that pursuant to
said order of July 26, 1935 Paul E. Darrow, as Trustee herein, has received on account of said services as

Trustee the total sum of \$21,569.34.

16. That in addition to the compensation received by him as above set forth, your Trustee has in the reorganization proceeding of Postal Facilities, Inc., by order of this Court in said proceeding, received \$3,000 for services rendered by him.

17. That, therefore, your Trustee has received on account of services rendered as Trustee of the Debtor total compensation as of August 13, 1943 amounting to the sum

of \$24,569.34.

18. That the services of your Trustee have extended over the period of April 25, 1935 to August 13, 1943; that the National Realty Trust, Debtor herein, at the time the reorganization proceedings herein were filed, owned the stock equity in thirteen subsidiary real estate corporations, and also owned bonds of its various subsidiaries; that shortly after your Trustee became Trustee of the Debtor he caused himself to be elected President of each of the thirteen subsidiary companies, and during this entire period has acted as the chief executive officer of said subsidiaries; that most of the properties of the subsidiary companies consisted of buildings erected for postoffice utility and had originally been designed for postoffice purposes and leased to the Postoffice Department; that shortly before your Trustee was appointed the Postoffice Department changed its basic policy into one of erecting its own

buildings rather than that of leasing buildings; that in consequence of this policy it has been necessary during the above period for your Trustee to initiate or to assist in the reorganization of various properties of the subsidiaries; that during this period eight of the thirteen subsidiary corporations belonging to the National Realty

Trust, Debtor herein, have been reorganized, and your Trustee was able substantially to retain the equity or controlling stock ownership for the parent company, the National Realty Trust, Debtor herein, subject to certain qualifications as contained in various plans of reorganization; that your Trustee's services have largely been concerned with management and also with problems of reorganization of the subsidiary companies, as above set forth; that during this period there also have been questions of income tax deficiency assessments which have been largely eliminated as a result of services rendered by your Trustee with substantially no additional expense to said subsidiary companies or to the Debtor herein, and which have resulted in substantial savings to the Debtor herein and its subsidiaries; that during said eight-year period from 1935 to 1943, your Trustee has devoted all of his time to his duties as Trustee of National Realty Trust, the Debtor herein, and as Trustee of Federal Facilities Realty Trust, companion common law trust, also under reorganization at the present time before this Court and numbered Case 58334; that your Trustee's services to the Debtor estate herein have been of great value to said estate in that the constructive programs and policies adopted by your Trustee have greatly enhanced the actual and potential value of the chief assets of said Debtor corporation, namely, the stock equities and bonds of the thirteen subsidiary companies; that attached hereto and marked Exhibit D is a communication signed by Paul E. Darrow, dated October 1, 1943 and addressed to the Honorable William H. Holly, United States District Court, Chicago, Illinois, which sets forth in summary form the beneficial services rendered to said Debtor estate by Paul-E. Darrow as Trustee herein; that as above set forth your Trustee has heretofore received on account the sum of \$21,569.34 allowed to him by orders of this Court, and in addition thereto, has received the sum of \$3,000, allowed to him by order of this Court for his services in reorganizing Postal Facilities, Inc., one of the subsidiary cor47 porations of the Debtor herein; that your Trustee, in view of the time spent, services performed, and the results obtained in and about the reorganization proceedings herein covering a period in excess of eight years, believes that at this time the allowance by this Court of the sum of \$5,000 would represent a fair and reasonable final allowance to him as Trustee in payment of the balance of fees due him for the services performed herein.

19. That your Trustee by leave of Court first had and obtained, employed the firm of attorneys of Adams Nelson & Williamson as counsel to assist and advise him in the within proceedings; that said firm of attorneys has filed herein its petition seeking compensation for services rendered by it to your Trustees; that your Trustee recommends that a reasonable allowance be made to said firm

of attorneys.

Your Trustee represents that he has in all matters throughout this proceeding followed the directions of this Honorable Court as given to him by orders of Court entered herein; that all of his acts as Trustee from the date of his appointment down to and including November 30, 1940 were set forth and contained in the Trustee's Report And Petition For Approval Thereof filed in this Court on December 12, 1940, and that thereafter an order was entered by this Court on January 31, 1941 approving said Trustee's Report And Petition For Approval Thereof and approving all acts of the said Paul E. Darrow, Trustee herein, from the date of his appointment and qualification as Trustee on May 24, 1935 down to and including November 30, 1940; and your Trustee requests that all his acts as Trustee herein from December 1, 1940 down to and including August 13, 1943 be approved by this Honorable Court.

Wherefore, your Trustee prays that an order may be

entered herein:

48 1. Approving the statement hereto attached marked Exhibit B, entitled "Summary Of Cash Receipts And Disbursements For Period December 1, 1940 To August 13, 1943."

2. Approving the statement hereto attached marked Exhibit C, entitled "Summary Of Cash Receipts And Disbursements For Period June 1, 1935 to August 13, 1943."

3. Approving the statement hereto attached marked Exhibit F and entitled "Paul E. Darrow, Chairman Account."

4. Approving this Final Report and Account of Paul E. Darrow as Trustee, and all of his acts as Trustee herein, from December 1, 1940 down to and including August 13, 1943.

5. Fixing the amount of additional compensation due

Paul E. Darrow, as Trustee herein, at this time.

6. Discharging him from any and all liability as Trustee herein and cancelling his bond.

7. Providing that Stacy Mosser, Successor Trustee

herein, be required:

(a) To assume and agree to pay Paul E. Darrow, your Trustee, such additional sum as may be fixed and allowed at this time by this Court to Paul E. Darrow for services rendered as Trustee herein, as requested

in this petition.

(b) To assume and pay to Adams Nelson & Williamson as attorneys for Paul E. Darrow, as Trustee herein, such sums as may be allowed by this Court for services rendered by them to Paul E. Darrow as Trustee, for the period commencing May 24, 1935 down to and inclusive of August 10, 1943 and for services rendered subsequent to August 10, 1943 involving the preparation and filing of the final report and account of Paul E. Darrow as Trustee, as required to be prepared and filed by the order dated August 10, 1943 appointing Stacy Mosser as Successor Trustee

herein in lieu of Paul E. Darrow, Trustee resigned. 8. Granting your Trustee such other and further relief

as to this Honorable Court shall seem meet.

Paul E. Darrow,

As Trustee of National Realty
Trust, a common law trust,
Debtor.

District of the United States
State of Illinois, County of Cook

Paul E. Darrow, being first duly sworn, deposes and says that he formerly was the Trustee of National Realty Trust, a common law trust, Debtor in these proceedings; that he has read the foregoing Final Report and Account

and Petition by him subscribed; that he knows the contents thereof; and that the same is true.

Paul E. Darrow.

Subscribed and sworn to before me this 15th day of October, 1943. Agnes Stasio,

Agnes Stasio, Notary Public.

(SEAL)

.50

For the Northern District of Illinois

Eastern Division

(Caption-No. 58335)

AFFIDAVIT OF TRUSTEE.

District of the United States
State of Illinois, County of Cook

88.

Paul E. Darrow, being first duly sworn, on oath deposes and says that he formerly was the Trustee of National Realty Trust, a common law trust, Debtor; that as such Trustee he performed services on behalf of said National Realty Trust; that no agreement has been made, directly or indirectly, and that no understanding exists for a division of fees between him and the Debtor, any creditor of the Debtor, the attorney of any of said parties, or with any other person.

Paul E. Darrow.

Subscribed and sworn to before me this 15th day of October, 1943. Agnes Stasio.

Notary Public.

(SEAL)

EXHIBIT A.

SUMMARY PRESENT STATUS UNDERLYING COMPANIES NATIONAL REALTY TRUST SINCE REPORT FILED AS OF NOVEMBER 30, 1940.

Armour Station Building Corporation. The property is now rented at \$2,580.00 annually. Interest payments were resumed June 15, 1942 at the rate of 3% per annum on First Mortgage bonds and 2% per annum on Second Mortgage bonds. Since reorganization the First Mortgage issue has been reduced from \$55,000 to \$26,000 and the Second Mortgage issue from \$13,000 to \$3,000. All taxes are in current position.

Austin Station Building Corporation. Interest payments have been made continuously at 3% per annum on the First and Second Mortgage bond issues. The First Mortgage bond issue has been reduced from \$285,000 to \$235,000 including bonds held in the Treasury and the Second Mortgage bond issue from \$73,000 to \$53,000 including bonds held in Treasury. There is one store vacant at the present time. All taxes are in current position.

Berwyn Post Office Building Corporation. The post office department vacated the building and the entire premises are now rented at an annual rental of \$1,500 to February 28, 1944 and \$1,800.00 for the following year. The First Mortgage bond issue has been reduced from \$31,500 to \$13,500 of which First Mortgage bonds the National Realty Trust holds \$8,500. There has been no reduction in the Second Mortgage bond issue from \$10,000 but the National Realty Trust now owns \$9,000 of the Second Mortgage bonds. Interest payments are being made at the rate of 3% per annum on the First Mortgage bonds. All taxes are in current position.

6748 Crandon Avenue Building Corporation. The rental for the fiscal year ending July 31, 1943 was \$29,561.17 in addition to the corporation earning \$654.00 interest on Treasury bonds, making a total income of \$30,215.17. The

expenses were \$15,324.50, leaving \$14,890.67 for inter-52 est and retirement of indebtedness. Outstanding First Mortgage bonds have been reduced from \$207,000 to \$178,400, including \$17,700 bonds held in Treasury. The property is fully rented and taxes are in current position. Division & La Vergne Building Corporation. Interest is being paid at the rate of 5% per annum on First Mortgage bonds and 4% on Second Mortgage bonds. The First Mortgage issue has been reduced from \$93,600 to \$64,700 and the Second Mortgage from \$10,000 to \$1,500, including the Second Mortgage bonds held in the Treasury uncanceled. The property is fully rented at an annual rental of \$12,190 and taxes are in current position.

Grand Rapids Parcel Post Building Corporation. Interest is being paid at the rate of 4% per annum on First Mortgage bonds and 3% per annum on Second Mortgage bonds. Since reorganization, First Mortgage issue has been reduced from \$115,000 to \$72,500 and Second Mort-

gage issue from \$40,000 to \$39,500.

La Grange Post Office Building Corporation. This property is rented on a month to month basis of \$165.00 monthly and cash position has been increased to \$4,000. No reorganization of this loan has been worked out owing to uncertainty of tenancy. All taxes are in current position.

Los Angeles Service Station, Inc. This property is still rented to the Hertz Driv-ur-self Stations, a new lease having been entered into for a period of five years from April 1, 1943 at an annual rental of \$10,800, an increase of \$1,800 annually. The First Mortgage bond issue has been reduced from \$107,050 to \$87,350. Interest is being paid at the rate of 3% per annum on the First Mortgage bonds. All taxes are in current position.

Ogden Park Post Office Building Corporation. The rental income of this property is somewhat lower due to vacancy of the store and office space, but 3% interest has

been paid continuously on the First Mortgage bonds and the bond issue has been reduced from \$173,100 to

\$122,900. All taxes are in current position.

Parkview Manor Building Company. All real estate taxes have been paid in full and the property is fully rented. The annual gross income under present leases has been increased to \$55,620. Interest is being paid on the First Mortgage bonds at the rate of 4% per annum and in all likelihood earnings will soon permit distribution of dividends on Class "A" preferred stock. The First Mortgage bond issue has been reduced from \$285,000 to \$261,-180 and the Class "A" preferred stock from \$190,000 to

\$174,000 including the First Mortgage bonds and Class "A" preferred stock held in the Treasury of the corporation.

Postal Facilities, Inc. Interest is being paid at the rate of 3½% per annum on First Mortgage bonds and 1% on Second Mortgage bonds. The First Mortgage issue has been reduced from \$495,000 to \$307,500. There is no change in the outstanding Second Mortgage issue, \$190,000.

6929 North Clark Street Building Corporation. First Mortgage bond issue has been reduced from \$271,200 to \$226,700 including bonds held in Treasury. The bond issue matured August 1, 1943 but has been extended to August 1, 1948 as necessary consents were received from the holders of more than two thirds of the outstanding bonds which permitted such extension in accordance with terms of Trust Indenture securing same.

Windsor Shore Building Corporation. The annual income of this property for the fiscal year ending July 31, 1943 was \$19,329.10 including \$975.00 interest earned on Treasury bonds. The First Mortgage bond issue has been reduced from \$182,000 to \$143,100 including the bonds held

in Treasury uncanceled. Interest is being paid at the rate of 3% per annum. The First Mortgage bonds expire January 1, 1944 and consents have been received from the hold-

ers of more than two-thirds of the outstanding bonds
54 which will permit the maturity date to be extended to
January 1, 1949 in accordance with terms of Trust
Indenture securing same. All taxes are in current position.

3,254.02 1,125.00

4,379.02

None

EXHIBIT "B"

NATIONAL REALTY TRUST — CHICAGO PAUL E. DARROW, TRUSTEE

SUMMARY OF CASH RECEIPTS & DISBURSEMENTS FOR PERIOD DECEMBER 1, 1940 to AUGUST 18, 1943.

RECEIPTS: Cash balance report of November 3 Management charges to subsidiary Interest earned	companies	8		\$ 2,685.96 32,150.88 28,122.78
TOTAL CASH	RECEIPTS			\$62,969.62
DISBURSEMENTS:	1			7.5 205.05
Bonds of subsidiary companies:	Par Value	Cost		
Austin Station Bldg. Corp. 1st Mtge 2nd Mtge.	\$10,200.00 4,000.00	\$ 5,105.00 1,530.00		*
Berwyn P. O. Bldg. Corp. Ser. A Ser. B	2,500.00 6,500.00	875.00 1,625.00		
Division & LaVergne Bldg. Corp. Ser. A	2,500.00	1,250.00		
La Grange P. O. Bldg. Corp. lat Mtge.	6,500.00	650.00		
Ogden Park P. O. Bldg. Corp. 1st Mtge. 6929 N. Clark St. Bldg. Corp.	2,300.00	590.00		
1st Mtge. Windsor Shore Bldg. Corp.	8,000.00	1,110.00		
1st Mtge.	1,000.00	350.00	\$13,085.00	
Advance to subsidiary companies Operating Expenses:			2,000.00	
Office Salaries Trustee Salary Federal Income Tax Andrews Audit Rent		19,518.43 8,715.00 3,177.65 3,058.82 2,561.00		
Expense adjustment with Federal Facilities Realty Trust Stationery & Supplies & Office Telephone and Telegraph Trustee Bond Premium		2,214.02 1,222.45 811.48 750.00		٥
Taxes Postage Sundry expense		652.55 454.61 365.09	43,495.60	58,580.60
Stack Mosses Successor Tourse	1.00		202400	4,379.02

Stacy Mosser, Successor Trustee—check Payroll and petty cash funds

CASH BALANCE-AUGUST 13, 1943

EXHIBIT "C"

NATIONAL REALTY TRUS

SUMMARY	OF CASH REC	EIPTS & DISB	T 13, 1943.	
Cash on hand Ju	ne 1, 1935			
Management char Interest Income	rges to subsidiar	2011		68
NISHTER MENT	TOTAL CASI			\$16
	Bldg. Corp.	Par Value". \$24,300.00	Cost \$11,543.50	
Berwyn P. O.	Bldg. Corp.	5,000.00	1,780.00 2,180.00	
Bet. Sec.		8,500.00 7,000.00	1,660.00	
Division & La	Vergne Bldg. Con	15,500.00	7,300.00	

465.00 3,600.00 Grand Rapids P. P. Bldg. Corp.

1,500.00 3,000.00 ist Mige. 2nd Mige. 307.50 1,500.00 1.137.50 14,000.00 Grange P. O. Bldg. Corp. Ogden Park P. O. Bldg. Corp. 130.00 2,300.00

w Manor Bldg. Co. 3,245.00 17,700.00 Let Mige. 34,900.00 1,217.00 2nd Mige. 1748 Crandon Ave. Bldg. Corp. 250.00 1,000.00 1,235.00 3,500.00 N. Clark St. Bldg. Corp. 2,525.00 12,000.00 lsor Shore Bldg. Corp.

Net advances to buildings unpaid balance

Cash on hand August 13, 1948 Payroll & Petty Cash Stacy Mosser, Successor Trustee, check

1.125.00 3,254.02

4,379.02

\$47,469.25

6,500.00

102,788.99

1.033.00 1,104.26 1.137.26

156,758.24

4,379.00

October 1, 1943.

Hon. William H. Holly United States District Court Chicago, Illinois

In Re: National Realty Trust, Debtor

Dear Sir:

As trustee under appointment of this Court I took over the assets and control of the Federal Facilities Realty Trust and the National Realty Trust as of June 1, 1935. I also assumed responsibility for the management and

operation of the twenty-seven subsidiaries.

The Federal Facilities Realty Trust owned the stock equity in fourteen real estate corporations and the National in thirteen. All had bonds outstanding with a claim prior to that of the equity. Both trusts owned bonds of the subsidiaries, as well as the stock, except in three where the National had a reversionary interest if the bonds were paid at maturity.

As Trustee for the two parent companies I became

President of each of the subsidiaries.

My obligation as Trustee of the two parent companies was to so operate the subsidiaries that the value of the

stock equity would increase.

My obligation as President of the subsidiaries was to the stockholders (the parent companies) but only as the claims of the bondholders were fairly protected could I

perform my obligation to the stockholders.

I could have assumed the attitude that there was nothing for a Tractice to do but sit still and handle the properties to the best of his ability and allow money to accumulate and exercise no business judgment to increase the value of the property placed in his care. On the other hand I could use my best ability and that of my associates to have the property increase in value as I would have wished if I had personally owned these properties.

I preferred to do my best to increase the value of the properties and investments of all the security holders. I believe all interested in these properties have benefitted by

this attitude.

I realised that no progress could be made toward my goal without the best assistance I could get and that only

through the wholehearted cooperation of all could this progress be made. I retained the services of Mr. Jacob Kulp and Miss Myrtle Johnson who had organized the properties and were thoroughly acquainted with them and knew the great majority of the bondholders. I have had the finest cooperation and assistance from them and from the bondholders. I could not have found people who would have given me more willing and competent assistance and the success of the work of the last eight and one-half years has been due as much to them and my other associates as to me.

Our principal difficulty has been the change in policy of the Post Office Department who formerly rented many of our buildings. Shortly before I became trustee the Post Office Department entered on a policy of building for itself

rather than renting. This resulted in fear by those who had Post Office securities and in our inability to pay interest and meet maturities as they came due.

In consequence, it became necessary to reorganize twelve of the Federal and five of the National group of properties. In each of these reorganizations we were able to retain the equity ownership for the parent companies. Previous to this six of the National had been reorganized without

being able, in all instances, to retain the equity.

During this period we were able to pay approximately \$150,000 of back real estate taxes. All were paid out of earnings and all taxes are now paid as bills are rendered, except in Station "D" in which there are some special assessments still unpaid. Reorganization expenses also were paid from earnings. In no case did we make loans which would be liens prior to the liens of the bondholders.

During this period we have had improper income tax deficiency assessments of approximately \$200,000 which after many conferences and several trips to Washington we have been able to eliminate. All this has been handled with substantially no outside help or expense. This has been possible largely through the help of one of my associates — Mr. Claire M. Marquiss.

In June, 1935 there were \$7,611,700 bonds outstanding with a claim prior to that of the parent companies. In a few of the reorganizations stock of the same par value was given for bonds which were eliminated. There are outstanding today \$5,197,100 bonds and stock with a claim

prior to stock equity of the parent companies, a reduction

of 34% of prior claims.

In June, 1935 the parent companies owned \$622,500 senior securities of the underlying companies while today they own \$1,070,600 senior securities, an increase of 72%. In no instance did the parent company huy securities of the underlying companies if they were able to buy them themselves and in many instances the parent companies loaned the subsidiaries the money to purchase for their own account.

During this period we bought \$262,800 par value of the underlying securities of the Federal group for the parent trust. The cost was \$31,864.55. On these securities the income to the parent company has been \$24,494,34 leaving the net cost \$7,370.21. The current yearly income is \$3,765.50 and at prices prevailing August 13, 1943 they were

worth \$38,321.50.

During this period we bought \$175,000 par value of the underlying securities of the National group for the parent trust. The cost was \$47,469.25. On these securities the income to the parent company has been \$21,412.81 leaving the net cost \$26,056.44. The current yearly income is \$3,802.30 and at prices prevailing August 13, 1943 they were worth \$50,635.00.

Stated in another way—in June, 1935 the parent companies owned the subsidiaries subject to prior claims of \$6,989,200 and today they own substantially the same companies subject to prior claims of \$4,126,500 (each figure is after eliminating underlying securities owned by the

parent trusts).

We have never urged people to sell their securities to us or anyone else. In many instances it has been difficult to secure the money to purchase the securities that have been offered to us but we think our obligation to bondholders who wish to sell is as great as to those who wish to hold. I know that as a result of our willingness to buy, those security holders who wished to sell have been able to get a better price than if they would have had only a speculative market on which to depend.

During the last eight and one-half years the parent companies have loaned to the subsidiaries \$111,695.00 of which \$101,175.00 has been repaid, leaving a balance outstanding of \$10,520.00, on August 13, 1943. Since that,

additional repayments of \$1,420.00 have been made, leaving balances due of \$9,100.00 which should be repaid with-

in the next six or eight months.

As the Court's representative, I have spent more than eight years supervising these properties. My associates and I have given our best abilities to handling these for the best interests of the security holders. I am proud of

what we have accomplished.

This experience of eight years has given me information which I think should be of value to the Court and the representatives of the security holders. I realize that in the last analysis the credit for the success or the blame for the failure accrues to the Court as well as his representative. In the hope that my judgment may be useful I would suggest that the success of this operation is dependent on management, those who are daily in charge. Any interference with competent management will be disastrous and will mean loss to people who cannot afford to lose. Mistakes will be made, and if corrected, should be overlooked if the whole operation is good. Only those who lack experience will disagree. Very truly yours,

/s/ Paul E. Darrow Paul E. Darrow 60

EXHIBIT "E"

NATIONAL REALTY TRUST BALANCE SHEET As At August 18, 1948

ASSETS Cash				
Payroll and Petty Cash Funds Bank balance—delivered to Stacy			\$ 1,125.00	
Trustee Control of the Control of th	Mosser		3,254.02	\$ 4,879.02
Accounts receivable subsidiary con				, 6,500.00 1,024,530.65
Investment in stock of subsidiary companies;	ompanies	Par	Cost	1,024,030.00
Austin Station Bldg. Corp.	1st Mtge.	\$24,800.00	\$ 12,058.50	
• • •	2nd Mtge.	6,000.00	2,780.00	
Berwyn P. O. Bldg. Corp.	Ser. A	8,500.00	2,130.00	
	Ser. B	9,000.00	3,660.00	
6748 Crandon Ave. Bldg. Corp.	1st Mtge.	45,100.00	44,350.00	
Division & LaVergne Bldg. Corp. Postal Facilities, Inc.	Ser. A 1st Mtge.	21,500.00	7,800.00 11,093.75	Bridley
roscal Facilities, Inc.	2nd Mtge.	87,400.00	84,265.00	
Grand Rapids Parcel Post	1st Mtge.	3,000,00	1,500.00	
Bldg. Corp.	2nd Mtge.	3,000.00	1,807.50	CARLET VIEW
La Grange P. O. Bldg. Corp.	1st Mtge.	14,500.00	1,637.50	
Ogden Park P. O. Bldg. Corp.	1st Mtge.	12,800.00	6,230.00	S CALL TA
Parkview Manor Bldg. Co.	1st Mtge.	41,760.00)		
Class A Stock		278.4 sh.)	55,145.00	
Class B Stock		3462 sh.	312,517.00	
6929 N. Clark St. Bldg. Corp. Windsor Shore Bldg. Corp.	1st Mtge. 1st. Mtge.	66,900.00 66,200.00	64,685.00 55,975.00	667,034.25
Deferred				79,375.77
LIABILITIES Accounts Payable				1,781,819.69
Jacob Kulp & Co. Paul E. Darrow, Chairman			\$ 47,878,89 707.30	- \$ 48,080.69
Net Worth				
Shares of beneficial interest outs	landing		1,165,912.50	
Capital Surplus Earned surplus—operations of Tr			722,204.45	· · · · · · · · · · · · · · · · · · ·
Earned Surplus—operations of sub	sidiaries	2.00	196,666.82	1,733,739.00
			Zana yak	1,781,819.69
		State State State State		

Note: The values herein are book values as taken from the accounts of the Trust and do not necessarily reflect actual values. No provision is made for possible Federal Income Tax. The accounts "Investment in Stock of Subsidiaries" and "Surplus-operations of Subsidiaries" reflect the status at December 31, 1942 as reports are only made annually.

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EXHIBIT "F" - 1st page

PAUL E. DARROW, CHAIRMAN ACCOUNT CASH RECEIPTS JULY 1, 1935 to SEPTEMBER 30, 1943

CEIPTS: rom George H. Andresen, Trustee			14,458.37
nterest carned		Name of the second	8.417.12
syments from building accounts			364.45
diustments of items prior to July 1,	1985		004.40
roceeds of bonds sold:			
Austin Station Bldg. Corp.		4 007 00	and the second of
1st Mtge	9,000.00	4,225.00	
Berwyn P. O. Bldg. Corp.			
Ser. B	500.00	35.00	
Chicago P. O. Serv. Bldg. Corp.			
1st Mtge.	6,000.00	2,235.00	
2nd Mtge.	3,000.00	900.00	
Columbus P. P. Bldg. Corp.	8,500.00	3,137.50	
6748 Crandon Ave. Bldg. Corp.	1,000.00	500.00	
Dallas Parcel Post Station, Inc.			
1st Mtge.	7,500.00	2,400.00	4 1
2nd Mtge.	12,000.00	480.00	
Division & LaVergne Bldg. Corp.			
Ser. A.	4,000.00	1,600.00	
Ser. B	3,000.00	900.00	
Station "F" 1st Mtge.	12,000.00	6,600.00	
Ferry Station Post Office, Inc.			
1st Mtge.	3,000.00	840.00	
2nd Mtge.	50,500.00	8,056.79	
Irving Park P. O. Bldg. Corp.			
1st Mtge.	500.00	300.00	
Los Angeles Service Station, Inc.	10,500.00	2,625.00	
McKinley Park Station Bldg. Corp.		415.00	
North Halsted P. O. Bldg. Corp.	1,500.00	450.00	
Ogden Park P. O. Bldg. Corp.	8,000.00	900.00	y
Quincy Station P. O. Bldg. Corp.			
1st Mtge.	17,000.00	8,400.00	1 - 11 9
2nd Mtge.	600.00	210.00	
and mige.		THE STATE OF	
U. S. Bldg. Corp. (St. Louis)	3,000.00	600.00	
2nd Mtge.	500.00	275.00	41,084.29
South Side P. O. Ser. Bldg. Corp.	000.00		and the second

TOTAL CASH RECEIF

EXHIBIT "F" - 2nd page

PAUL E. DARROW, CHAIRMAN ACCOUNT CASH DISBURSEMENTS JULY 1, 1935 to SEPTEMBER 80, 1943

ISBURSEMENTS: Advances to Buildings Less repayments		33,810.00 33,010.00	800.00
Paid on Buildings Accounts	Array.		20,807.87
Income Tax Payments			1,544.17
Sundry Expenses			820.34
Bond Purchases:			7.1
Austin Station Bldg. Corp.	10 000 00		
Berwyn P. O. Bldg. Corp.	18,000.00	6,045.00	
Chicago P. O. Serv. Bldg Corp.			
Ser. B	500.00	35.00	
1st Mtge.	6,000.00	1,935.00	
2nd Mtge.	8,000.00	900.00	
Columbus P. P. Bldg. Corp.	3,500.00	8,002,50	
6748 Crandon Ave. Bldg. Corp.	1,000,00	250.00	
Dallas Parcel Post Station, Inc.			
1st Mtge.	7,500.00	2.362.50	
2nd Mtge.	12,000.00	907.50	
Division & LaVergne Bldg. Corp.	A SHAPE STEELS		
Ser. A	4,500.00	2,475.00	
Ser. B	8,000.00	900.00	100000
Station "F" 1st Mtge.	12,000.00	5,490.00	
2nd Mige.	200.00	30.00	
Ferry Station Post Office, Inc.			
1st Mtge.	8,000.00	610.00	
2nd Mtge.	50,500.00	2,809.06	-
Irving Park P. O. Bldg. Corp.	\$ 00 miles (1)		
1st Mtge.	500.00	205.00	
LaGrange P. O. Bldg. Corp.	500.00	50.00	
Los Angeles Service Station Inc.	9,000.00	720.00	45 4 5 5 5
McKinley Park Station Bldg. Corp.	2,000.00	415.00	
North Halsted P. O. Bldg. Corp.	1,500.00	441.00	
Ogden Park P. O. Bldg. Corp. Parkview Manor Bldg. Co.	3,500.00	405.00	
1st Mtge.	20 100 00	3,441.00	
Quincy Station P. O. Bldg. Corp.	20,100.00	0,221.00	
1st Mtge.	17,000.00	6,637.50	
2nd Mtge.	600.00	126.00	
6929 N. Clark St. Bldg. Corp.	1,000.00	300.00	
Roseland Bldg. Corp.	500.00	50.00	
U. S. Bldg. Corp. (St. Louis)	/		
2nd Mitge.	18,500.00	810.00	
South Side P. O. Ser, Bldg. Corp.	500.00	200.00	The same
Windsor Shore Bldg. Corp.	9,400.00	1,880.00	
Federal Facilities Realty Trust	1,000.00	10.00	
National Realty Trust	8,327ah.	1,188.75	44,630.81
Paid to Stacy C. Mosser, Successor			330.54

TOTAL CASH DISBURSEMENTS

PAUL E. DARROW, CHAIRMAN ACCOUNT COMPARATIVE STATEMENT OF ACCOUNTS PAYABLE & RECEIVABLE

	Accounts Payable 6-1-85	Accounts Receivable 6-1-35	Paid on Accounts Payable	Accounts Payable 9-30-43	Received On Aceta. Receivable	Accounts Receivable 9-30-43
Federal Facilities Realty Tr.	.	8,170.06				8,170.06
Chicago P. O. Serv. Bldg. Corp. Columbus P. P. Bldg. Corp.	5,006.40 149.50	B 1 1/2 1	1,116.17 88.83	3,890.23 116.17		
Station "D" Bldg. Corp.	145.00	1.827.54	00.00	11011		1,827.54
Ferry Station P. O., Inc.	21.00		4.68	16.32		
Irving Park P. O. Bldg. Corp.	996,59	2.	222.19	774.40		
McKinley Park Station Bldg. Cor	p. 302.60		67.46	235.14		
North Halated P. O. Bldg. Corp.		780.00			780.00	0.00
Quincy Station P. O. Bidg. Corp.	38,767.75		16,115.06	0.00		
Roseland Building Corp.	118.75		25.36	88.89		
U. S. Bldg. Corp. (St. Louis) South Side P. O. Ser. Bldg. Corp.	926.98 97.50	4	206.67 21.74	720.81 75.76		
22nd St. Station Bldg. Corp.	1,804.09		402.23	1,401.86		
Villa Building Corp.	2,004.00	281.12		Tentron	281.12	0.00
National Realty Trust		707.80				707.80
Armour Station Bldg. Corp.	1,484.03		330.87	1,158.16		
Austin Station Bldg. Corp.	6,905.62		1,589.69	5,365.98		
Berwyn P. O. Bldg. Corp.	270.26		60.25	210.01		
5748 Crandon Ave. Bldg. Corp.		8,828.12			924.11	7,404.0
Division & LaVergne Bidg. Corp.	15.00		8.84	11.66		
Postal Facilities, Inc.		2,985.18			4	2,985.1
Grand Rapids P. P. Bldg. Corp. LaGrange P. O. Bldg. Corp.		457.42 281.25			457.42 201.25	0.0
Los Angeles Service Station Inc.		62.59			62.59	0.0
Ogden Park P. O. Bldg. Corp.	4.878.65	02.05	1.087.69	8,790.96	92.05	0.0
Parkview Manor Bldg. Co.	8,986.91		2,003.61	6,983,30		A
6929 N. Clark St. Bldg. Corp.		8,500.00			386.43	3,118.5
Windsor Shore Bldg. Corp.		244.20			244.20	0.00
	70,726.63	27,124.78	23,240.84	24,833.60	3,417.12	23,707.6
Cash paid on Accounts Payable a	ctually was					20,807.87
in addition \$2,000 Irving Park 2nd	Mtge. bonds	were given to	ssuer at			222.19
In addition \$8,000 Parkview 1st M In addition \$10,500 U. S. Bldg. C	tge, bonds we	re given to last	er at			2,003.61
in adulton 110,000 U. S. Bigs. C	orp. Zna mige	. Donds were g	iven to	1	insuer at	206.67
In consideration of cash payment	Quincy Corp.	cancelled halan	\.,			28,240.34 22,652.69
Balance Accounts Payable 9-30-43						24,833.60
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	214					70,726.68

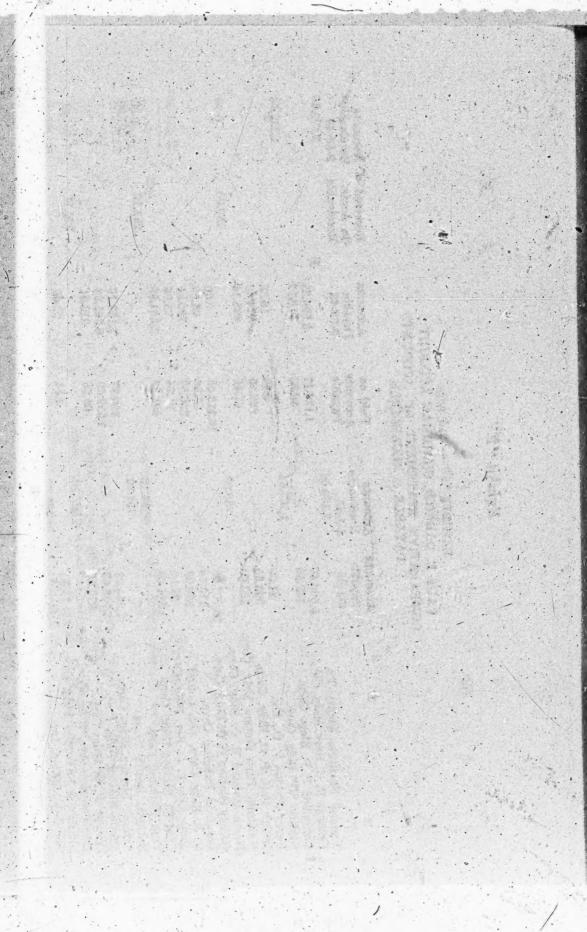


EXHIBIT "F" — 4th page

INVENTORY

PAUL E. DARBOW, CHAIRMAN ACCOUNT

	Par	Value
	Received	On Hand
	6-1-35	9-80-43
Austin Station Bldg. Corp. 1st Mtge.		4,000.00
2nd Mtge.	2,000.00	2,000.00
Division & LaVergne Bldg. Corp. Ser A.		500.00
Postal Facilities, Inc. 2nd Mtge.	3,000.00	3,200.00
Federal Facilities Realty Trust, Bonds " Declared value \$10.00	2,500.00	8,500.00
Shares, No par	2,500.00	2,500.00
Grand Rapids P. P. Bldg. Corp. 2nd Mtge.	500.00	500.00
Irving Park P. O. Bldg. Corp. 2nd Mtge.	4,000.00	2,000.00
La Grange P. O. Bldg. Corp.		500.00
Los Angeles Service Station Inc.	1,500.00	
National Realty Trust \$25.00 Per Shares	4,675.00	25,492.50
North Halated P. O. Bldg. Corp.	500.00	500,00
Ogden Park P. O. Bldg. Corp. Parkview Manor Building Co.		500.00
1st Mtge. & Class A Pfd.	900.00	12,900.00
2nd Mtge. & Class B Pfd.	9,000.00	9,000.00
6929 N. Clark St. Bldg. Corp.		1,000.00
Roseland Bldg. Corp.		500.00
Windsor Shore Bldg. Corp.		9,400.00
TOTAL PAR VALUE	81,075.00	77,992.50

65 And afterwards on, to wit, the 9th day of December, 1943 came the Trustee, Paul E. Darrow by his attorneys and filed in the Clerk's office of said Court his certain Supplemental Affidavit To Accompany Final Report And Account, etc. in cause No. 58334, in words and figures following, to wit:

66

IN THE UNITED STATES DISTRICT COURT For the Northern District of Illinois Eastern Division

• • (Caption-No. 58334) •

SUPPLEMENTAL AFFIDAVIT OF PAUL E. DARROW, FORMER TRUSTEE OF THE DEBTOR
HEREIN, TO ACCOMPANY FINAL REPORT AND
ACCOUNT OF PAUL E. DARROW, TRUSTEE,
INCLUDING REQUEST OF SAID DARROW, AS
TRUSTEE, FOR ALLOWANCE OF ADDITIONAL
FEES HERETOFORE FILED IN THESE PROCEEDINGS ON OCTOBER 15, 1943.

District of the United States)
State of Illinois
County of Cook
)

Paul E. Darrow, being first duly sworn, on oath deposes and says that he formerly was the Trustee of Federal Facilities Realty Trust, a common law trust, Debtor herein; that on October 13, 1943, he filed herein his Final Report and Account as Trustee, including his request as Trustee for allowance of additional fees for services rendered by him; that he files this Supplemental Affidavit to accompany said Final Report and Account as Trustee. including his request for allowance of additional fees, pursuant to Section 249, Article XIII, Chapter X of the Bankruptcy Laws of 1938; that he has not acquired or had transferred to him or for his account either before or after the commencement of the preceedings herein any claim against or bonds or stock of the debtor or any beneficial interest, direct or indirect, of the debtor with exceptions hereinafter noted; that he has acquired after the commencement of these proceedings in his own name for the use and benefit of the debtor herein or for the ultimate use and benefit of the wholly owned or affiliated

subsidiaries of the debtor securities as hereinafter 67 listed which the debtor or its subsidiary companies were unable to purchase at the time he acquired same—said securities later having been sold to the debtor at cost to him as shown in said schedule:

Graham & Co.	\$5,000.00	Quincy 2nd	\$1,012.50	9- 9-87
	5,000.00	22nd Street	1,012.50	5- 5-36
11-12-35				A STATE OF THE PARTY OF THE PAR
Custin & Co.	1,500.00	Irving Park	195.00	11-12-35
	5,000.00	North Halsted	625.00	10-16-27
	8,000.00	Quincy 2nd	300.00	10- 6-37
	4,500.00	Quincy 2nd	450.00	7-15-38
Alegio de servicio	4,000.00	Quincy 2nd	400.00	10-11-38
	3,000.00	Roseland	255.00	5-22-37
HOLD SHOW IN	600.00	South Side P. O.	90.00	7-15-38
	6,000.00	22nd Street	780.00	7-15-38
	10,500.00	Villa Building	682.50	5-22-37

All of the above bonds were sold to the Federal Facilities Realty Trust at the cost price.

Among the securities involved in the various transactions during the time of his trusteeship he also acquired \$84,000 par value of the collateral trust bonds issued by Federal Facilities Realty Trust. These bonds are in his possession and were received free of cost. Their disposition seems to be a matter for direction of the Court. His intention has been eventually to deliver them to the Federal Facilities Realty Trust for cancellation. The said bonds were part of the \$250,000 bought by Jacob Kulp & Company at the time of issue and were held, together with other bonds, as collateral to a note of Jacob Kulp & Company to the First National Bank of Chicago. The bank reduced the collateral to possession and offered it to the Colonial Securities Company for the aggregate sum of \$12,000.00.

He was advised of the offer and after computing the fair value of the underlying bonds he indicated his willingness to buy these underlying bonds for \$12,000.00 if

the Federal Facilities bonds would be delivered to him free. Inasmuch as neither the trust nor the underlying companies were in a position at that time to purchase all of the securities he agreed to take them up in installments as funds became available. Accord-

3,500

ingly, the Colonial Securities Company entered into an agreement with the bank to purchase these bonds over an extended period. He made payments to it totalling \$12,-000.00 during the period from November, 1936 to March,

1937, and received bonds as follows:

Armour Station Bldg. Corp. \$1,000 1st Mtge. 4,000 Austin Station Bldg. Corp.

1st Mige. Austin Station Bldg. Corp.

1st Mtge. Division & La Vergne Bldg. Corp. Series "A" 1st Mtge. 6,000 Division & La Vergne Bldg. Corp. 4,000 Series "A

3,000 Orden Park Post Office Bldg. Corp. Parkview Manor Bldg. Co. 3,500 1st. Mtge

1,000 6929 N. Clark St. Bldg. Corp. United States Bldg. Corp. 3,500 2nd Mtge

22nd St. Station Bldg. Corp. 1.500 Villa Building Corp. 2,000

Cost Bought & Paid for By 250.00 Armour Station Bldg. Corp.

2,040.00 National Realty Trust

1,785.00 Paul E. Darrow, Chairman

3,300.00 National Realty Trust

2,200.00 Paul E. Darrow, Chairman 300.00 Paul E. Darrow, Chairman 875.00 National Realty Trust

250.00 6929 N. Clark St. Bldg. Corp.

350.00 Federal Facilities Realty Tr. 22nd St. Station Bldg. Corp. 200.00 Federal Facilities Realty Tr.

\$12,000.00

Upon final payment he received all of the \$84,000 bonds of the Federal Facilities Realty Trust hereinbefore referred to.

In so far as he knows, there are the only individual transactions. If there were any other transactions, same were handled without profit to said Paul E. Darrow.

Paul E. Darrow, Formerl- Trustee of Federal Facilities Realty Trust, a common law trust.

Subscribed and Sworn To before me this 17th day of November, 1943. (Seal)

C. M. Marquiss Notary Public ber, 1943 came the Trustee, Paul E. Darrow by his attorneys and filed in the Clerk's office of said Court his certain Supplemental Affidavit To Accompany Final Report And Account Of Paul E. Darrow, Trustee, etc., in Case No. 58335 in words and figures following, to wit:

70

IN THE UNITED STATES DISTRICT COURT
For the Northern District of Illinois
Eastern Division

• (Caption-No. 58335)

SUPPLEMENTAL AFFIDAVIT OF PAUL E. DARROW, FORMER TRUSTEE OF THE DEBTOR
HEREIN, TO ACCOMPANY FINAL REPORT AND
ACCOUNT OF PAUL E. DARROW, TRUSTEE, INCLUDING REQUEST OF SAID DARROW, AS
TRUSTEE, FOR ALLOWANCE OF ADDITIONAL
FEES HERETOFORE FILED IN THESE PROCEEDINGS ON OCTOBER 15, 1943.

District of the United States)
State of Illinois
County of Cook

Paul E. Darrow, being first duly sworn, on oath deposes and says that he formerly was the Trustee of National Realty Trust, a common law trust, Debtor herein; that on October 15, 1943, he filed herein his Final Report and Account as Trustee, including his request as Trustee for allowance of additional fees for services rendered by him; that he files this Supplemental Affidavit to accompany said Final Report and Account as Trustee, including his request for allowance of additional fees, pursuant to Section 249, Article XIII, Chapter X of the Bankruptcy Laws of 1938; that he has not acquired or had transferred to him or for his account either before or after the commencement of proceedings herein any claim against or bonds or stock of the debtor or any beneficial interest, direct or indirect, of the debtor with exceptions hereinafter noted; that he has acquired after the commencement of these proceedings in his own name for the use and benefit of the debtor herein or for the ultimate use

and benefit of the wholly owned or affiliated subsidiaries of the debtor securities as hereinafter listed which the debtor or its subsidiary companies were unable to 71 purchase at the time he acquired same—said securities later having been sold to the debtor and the chairman account at cost to him as shown in said schedule:

Date Purchased			Date Sold
11-12-35 Custin & Co. \$ 1,00	00.00 La Grang	s 100.00	5- 6-36
	00.00 Los Ange 00.00 Ogden Pa		7-15-38 5- 6-36
5,00	00.00 Parkview	1st 600.00	10- 6-37
, 12,00	00.00 Parkview	1st 1,440.00	7-15-38

All of the above bonds were sold to the National Realty Trust except \$12,000 Parkview 1st to the Chairman Account, all at the cost price.

Among the securities involved in the various transactions during the time of his trusteeship he also acquired \$84,000 par value of the collateral trust bonds issued by Federal Facilities Realty Trust. These bonds are in his possession and were received free of cost. Their disposition seems to be a matter for direction of the Court. His intention has been eventually to deliver them to the Federal Facilities Realty Trust for cancellation. The said bonds were part of the \$250,000 bought by Jacob Kulp & Company at the time of issue and were held, together with other bonds, as collateral to a note of Jacob Kulp & Company to the First National Bank of Chicago. The bank reduced the collateral to possession and offered it to the Colonial Securities Company for the aggregate sum of \$12,000.00.

He was advised of the offer and after computing the fair value of the underlying bonds he indicated his willingness to buy these underlying bonds for \$12,000.00 if the Federal Facilities Realty bonds would be delivered to him free. Inasmuch as neither the trust nor the underlying companies were in a position at that time to purchase all of the securities he agreed to take them up in installments as funds became available. Accordingly, the Colonial Securities Company entered into an agreement with the bank to purchase these bonds over an extended period. He made payments to it totalling \$12,090.00 during the period from November, 1936 to March, 1937, and

received bonds as follows:

13.1		Cost	Bought & Paid for By
\$1,000	Armour Station Bldg. Corp.	\$, 250.00	Armour Station Bldg. Corp.
4,000	Austin Station Bldg. Corp.	2,040.00	National Realty Trust
	Austin Station Bldg. Corp. 1st Mtge.	1,785.00	Paul E. Darrow, Chairman
6,000	Division & LaVergne Bldg, Corp. Series "A" 1st Mtge.	3,300.00	National Realty Trust
4,000	Division & LaVergne Bldg. Corp. Series "A"	2,200.00	Paul E. Darrow, Chairman
3,000	Ogden Park Post Office Bldg. Corp.	300.00	Paul E. Darrow, Chairman
	Parkview Manor Bldg. Co. 1st. Mtge.	875.00	National Realty Trust
1,000	6929 N. Clark St. Bldg. Corp.	250.00	6929 N. Clark St. Bldg. Corp.
	United States Bldg. Corp. 2nd Mtge.		Federal Facilities Realty Tr.
1,500	22nd St. Station Bldg. Corp.	450.00	22nd St. Station Bldg. Corp.
	Villa Building Corp.		Federal Facilities Realty Tr.

\$12,000.00

Upon final payment he received all of the \$84,000 bonds of the Federal Facilities Realty Trust hereinabove referred to.

In so far as he knows, these are the only individual transactions. If there were any other transactions, same were handled without profit to said Paul E. Darrow.

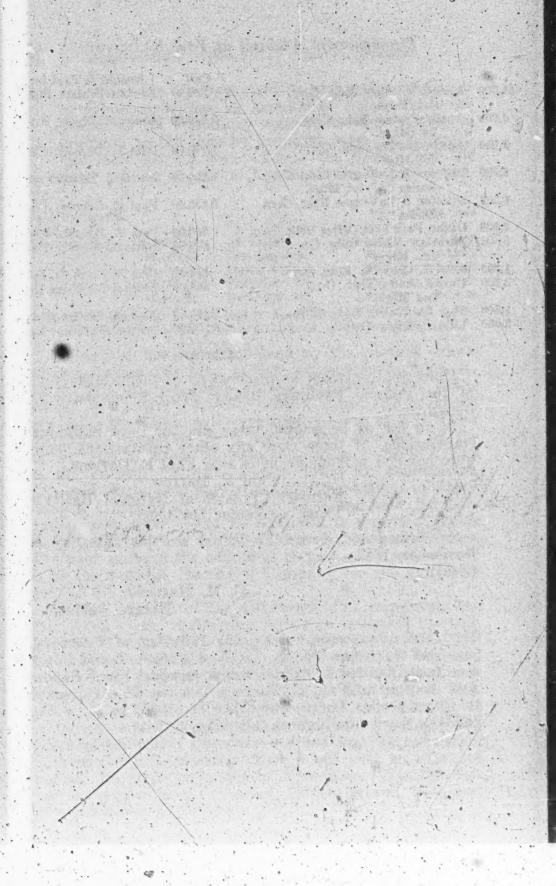
Paul E. Darrow
Formerly Trustee of National Realty
Trust, a common law trust.

Subscribed and Sworn To before me this 17th day of November, 1943.

(Seal)

C. M. Marquis Notary Public

And afterwards, to wit, the 11th day of February, 1944 there was filed in the Clerk's office of said Court a certain Detailed Schedules Supplementing Final Report And Account of Paul E. Darrow, Trustee, filed Pursuant to Court Order Dated November 29, 1943, in Case No. 58334 in words and figures following, to wit:



NO

58334

IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

In the Matter of

FEDERAL PACILITIES REALTY TRUST, a common law trust,

Debtor.

DETAILED OCE-MULEE EUPPLE-MENTING FIN/L REPORT AND ACCOUNT OF TAUL S. LARROW, TRUSTEE, FIT BL PUPSUANT TO COURT ORGER DATED NOVEMBER 29, 1943.

ADAMS, MILLION & WILLIAMSON

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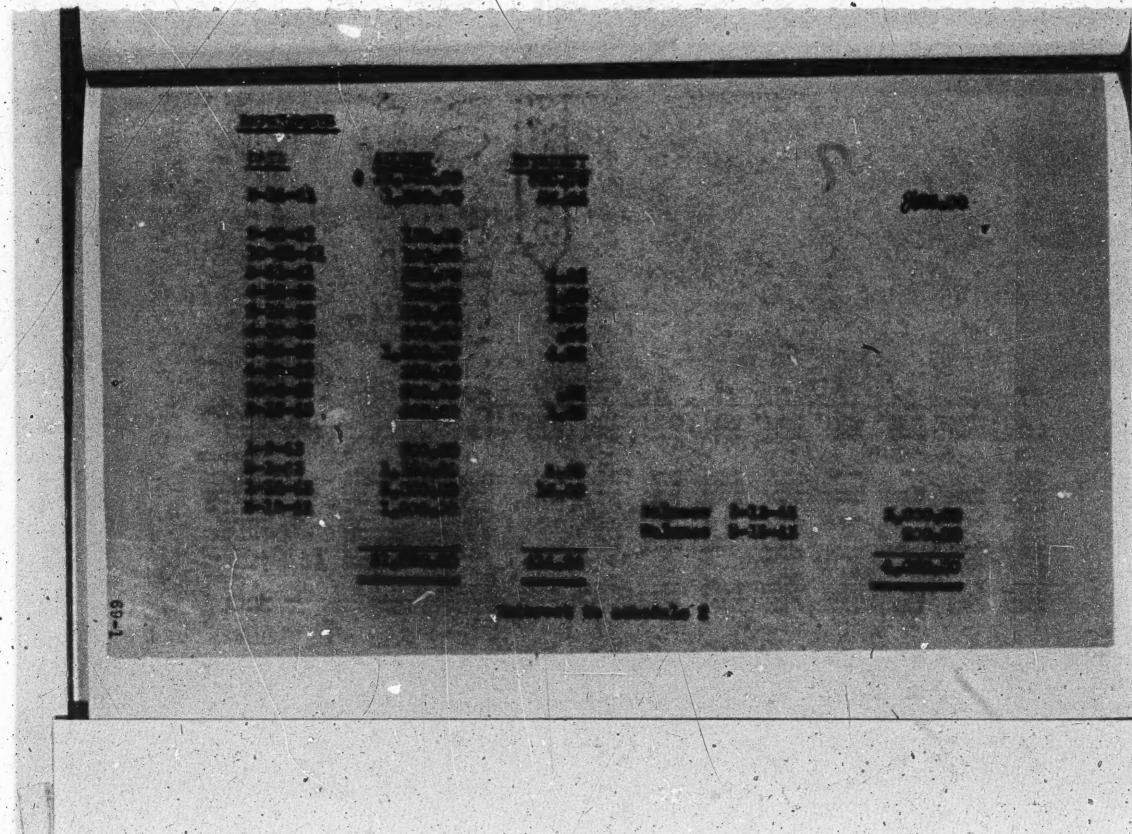
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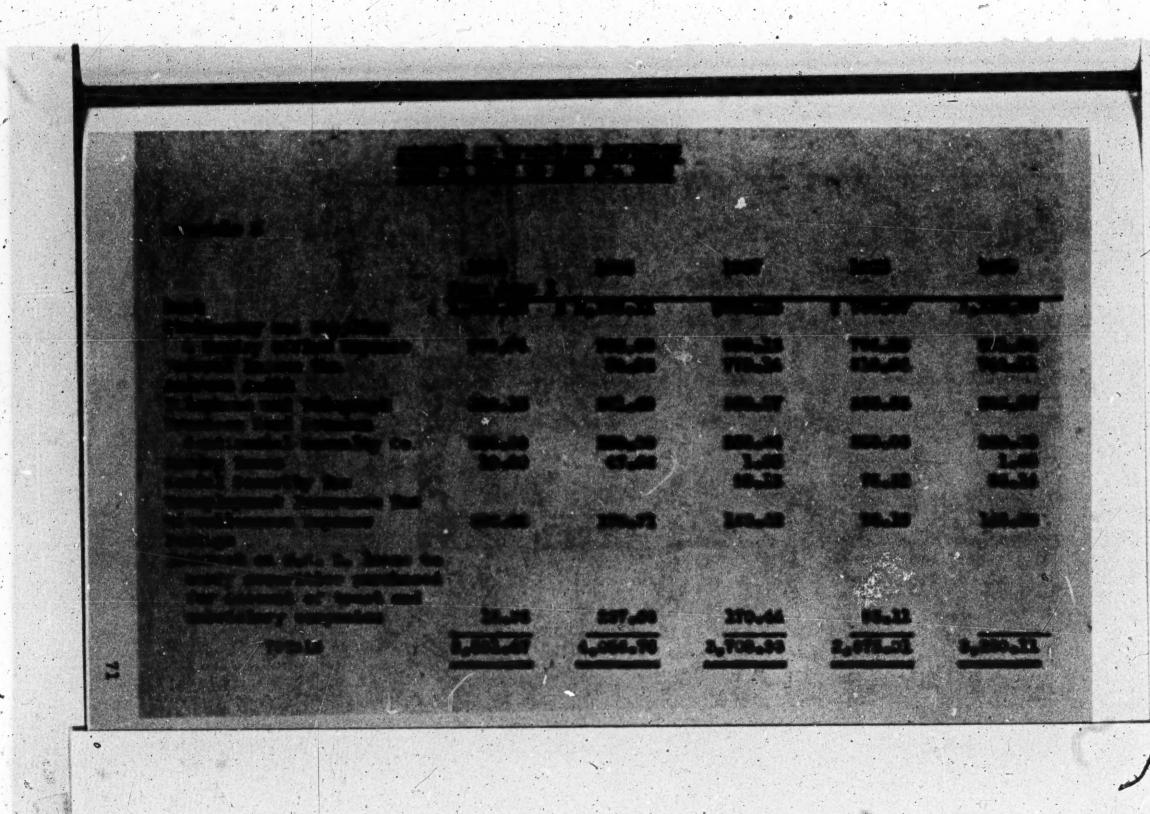
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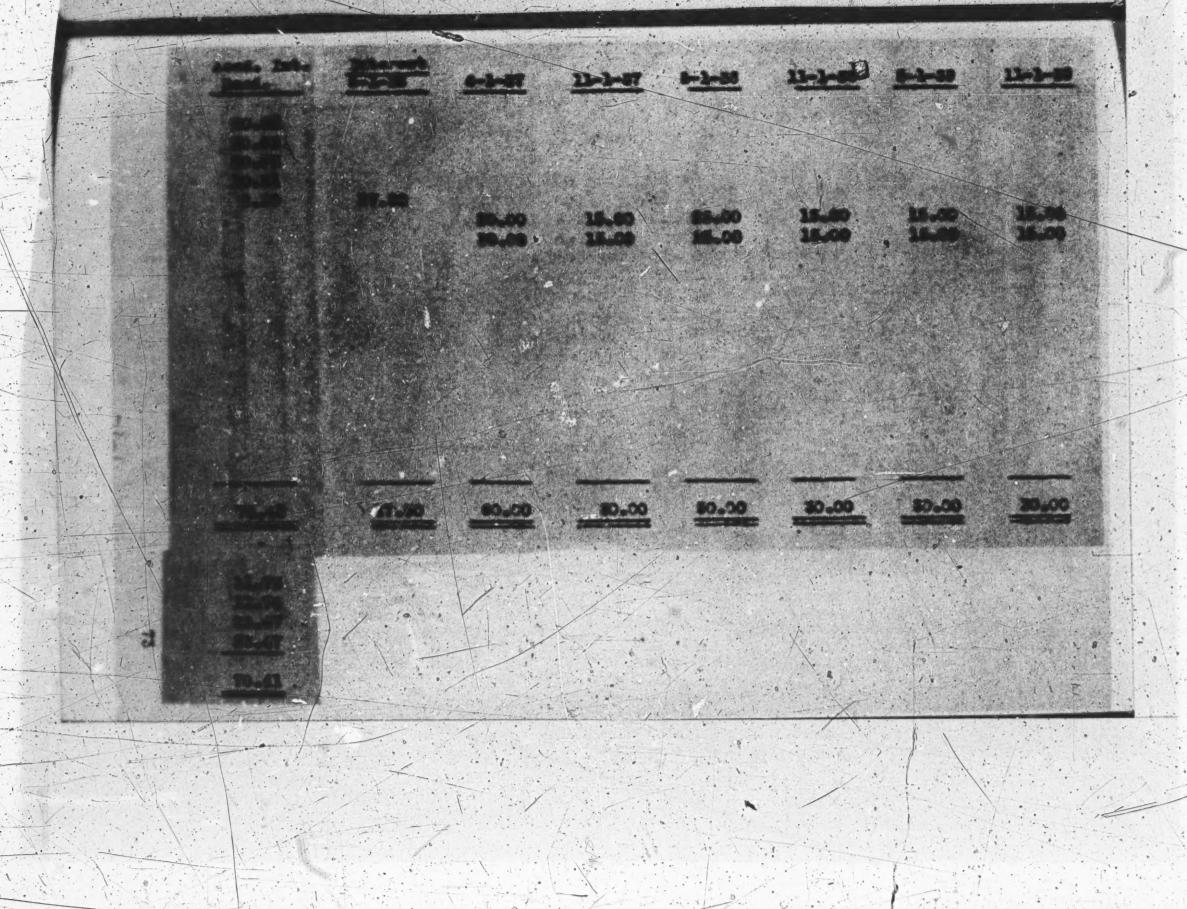
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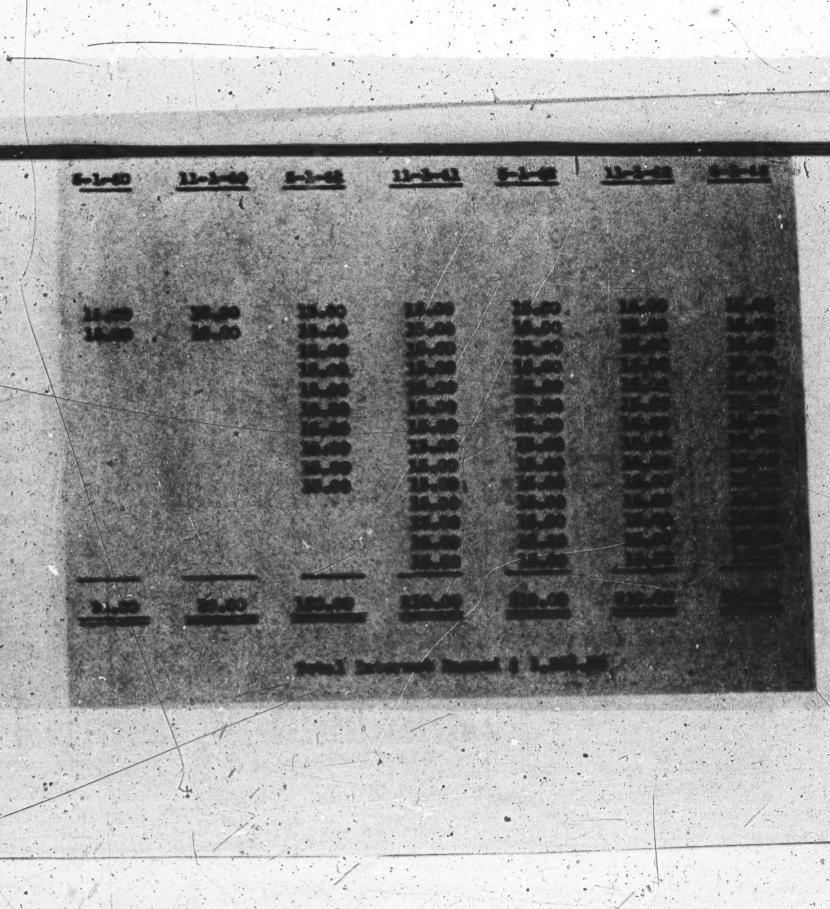
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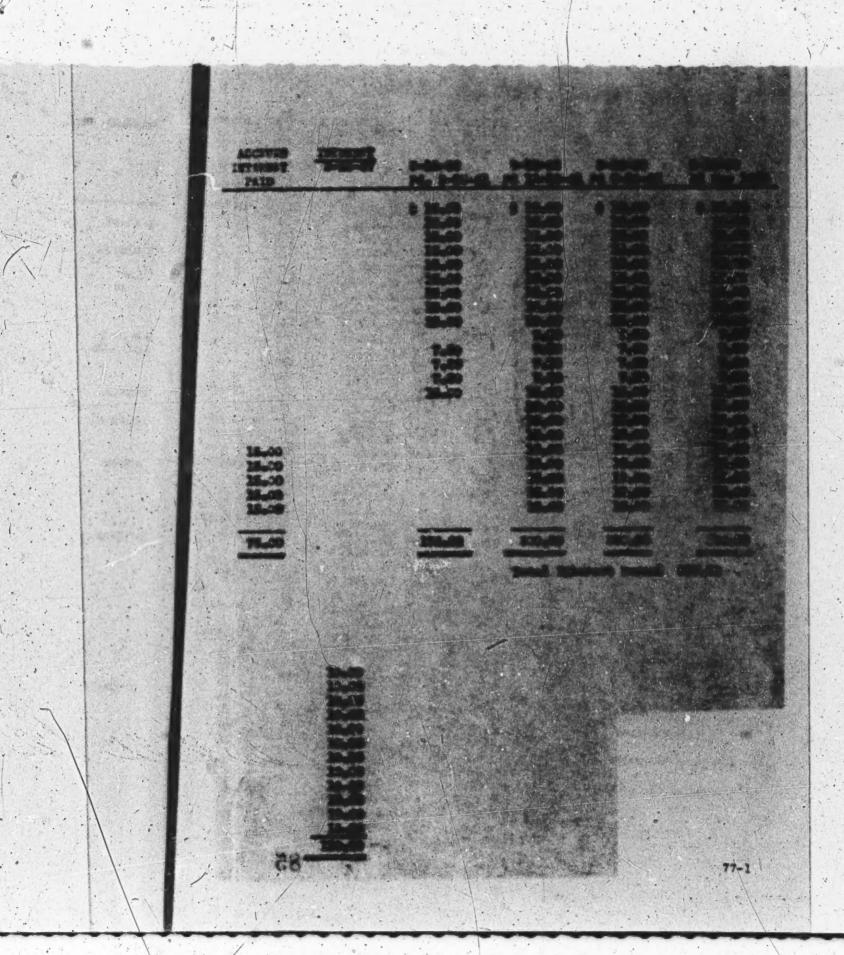
6-1/66 PIRST MORTGAGE BOMDS - CONVERTED TO COMMON STOCK

Schedule 1-e

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PERMY STATION PORT OFFICE, INC. -- Ind MORTGAGE

Schedule 2-f

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Schedule 2-k

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97 And afterwards on, to wit, the 21st day of April, 1944 there was filed in the Clerk's office of said Court a certain Detailed Schedules Supplementing Final Report And Account Of Paul E. Darrow, Trustee, Filed Pursuant To Court Order Dated November 29, 1943, in Case No. 58335 in words and figures following, to wit:

RECEIVED
APR 21 1944

NO. 58325

IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

In the Matter of

NATIONAL ABALTY TRUST, a common law trust,

Debter.

DETAILED SCHEDULES SUPPLEMENTING FINAL REPORT AND ACCOUNT OF PAUL E. DANKER, TRUSTES, FILED PURSUANT TO COURT ORDER DATED NOVEMBER 29. 1943.

ADAMS, NELSON & WILLIAMSO
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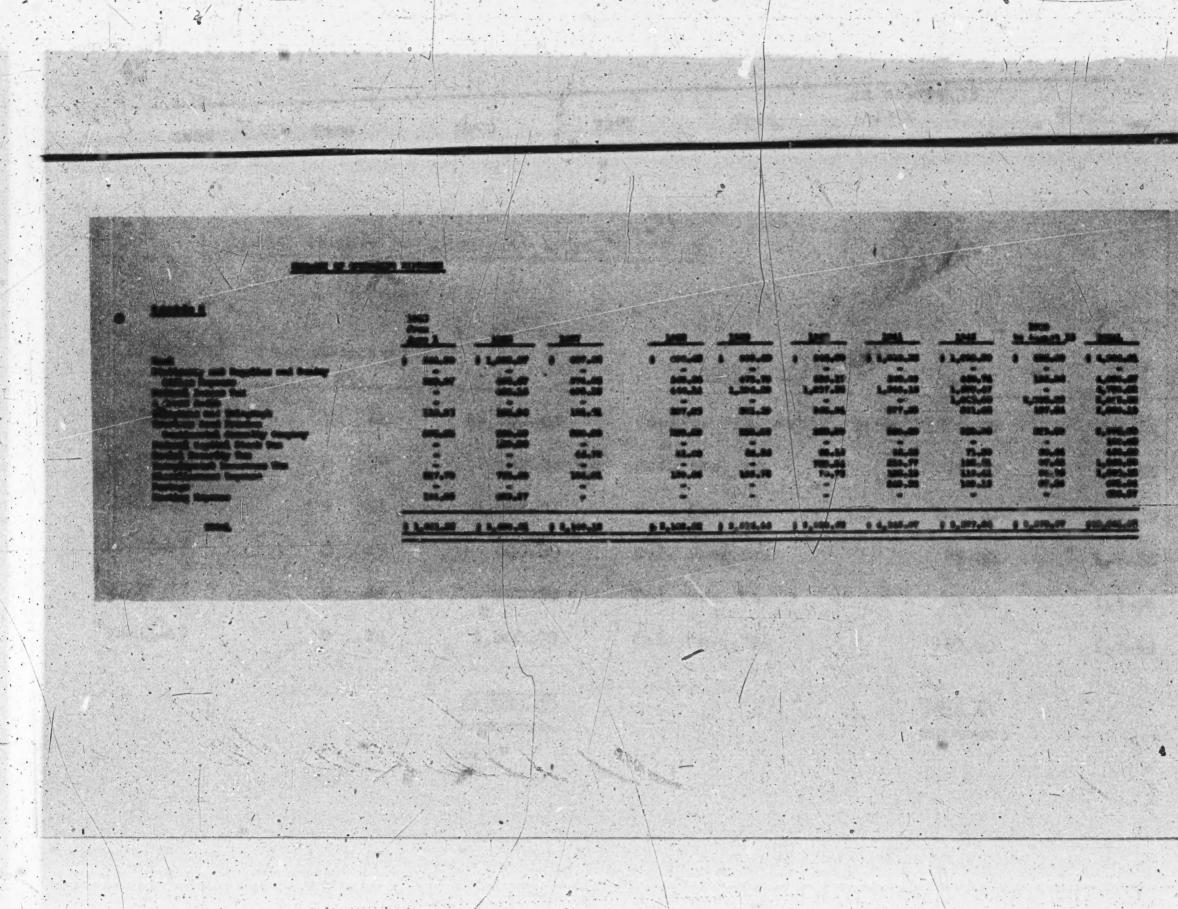
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10-15-38 1-10	4-15-39	10-15-30	1-15-40 1 7.50	10-15-60	4-16-41 0 7-60	10-15-61	4-15-42 6 7.50	10-18-42 5 7-50	\$ 7.00 ·
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				7.50	7.60 18,00 7.60	7.00 18.00 7.00 18.00 16.00	7.80 15.00 7.50 15.00 15.00 7.50 16.00	16.00 7.40 15.00 18.00 7.50 18.00	16.00 7.60 18.00 15.00 7.00
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AUSTIN STATION SUILBING COEP. - Lot MORTGAGE - Contd.

	District In	3.00
-	Sandy Selection of the Control of th	Section 1

A December 1			Profits man	rtituted interes	
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AUSTR STAYLOR BUTLASTIC CONTRACTOR - Sad BRETCHAR

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North Control				H. Kultura and A.		

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	6-12-40 °	10-15-10	4-25-63	10-15-41	6-16-42	10-15-42	4-11-43	
	\$10,00	930.00	\$18.00	\$25,00	\$15.00	\$15.00	\$15.00	4
V	10.00	10,00	15.00	25.00	15.00	18,00	14.00	
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		1			TOTAL L	MANUAL P	\$405.00	•
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MERCER POST OFFICE BUILDING CORP. - LOT MINTGACK

Schedule II

<u> PATE</u>	SECURITY NO.	248		3099HT 0F
8-12-35	1 16 1 10	1,000.00		Col. See. Co.
6-17-36	N 11 N 17	1,000.00		Eschand & Co.
10-19-57	0 22	500.00	1	Tolaress & Co.
1-24-56	D 30 D 30	500.00 500.00		Col. Sec. Co.
2-28-41	Å io	1,000.00		
700	T	The second of th		
1		\$8,500.00		
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ARRESTS POST OFFICE HELLELDS CORP. - BUD MORTIAGE

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63,180.00 500.00 500.00 500.00 500.00 115.00 125.00 125.00	<u>120. y</u>	00.75 00.75 00.75 00.75	25.00 55.00 25.00 25.00	\$.00 \$.00 \$.00 \$.00 \$.00
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25.00	\$25.00	\$25.00	£25.00	(25.00	\$85.00	\$25.00	\$25.00	

Total Interest

1620.00

CTAS CHANCO'AND, SOILLING COMP. - LOS MERCANS

Schodule In

The bonds of this tooms are registered bonds without soupens, registered by the Chicago fible and frust too, frustee.

At Jame 1, 1988 the frust emed \$44,100.00 which are carried at far. They were acquired at the time of the formation of the frust by exchange of frust shares of beneficial interest for the bonds. The details of this holding are as follows:

tes. 133/67 Registered Geo. H. Andreses - 26 bonds 6 800.00 225 do do '1 6 100.00

233/42 No-registered Paul E. Darrow 10 . 0 100.00

\$15/21-327 - \$47/72 Begistered See, F. Andresen \$6 4 1,000.00

Total Original Holding

Nos. 254/65 - 10 a 100.00 exchanged with corporation for Nos. 110/11 Registered Sath. Magine 8 a 500.00

2	11-1-57 pers 4-15-58	441.00
	11-1-58 paid 1-15-59 \$44,100.00 @ 15	441.00
	11-1-50 \$48,100.00 @ 1/	481.00
\$18,000.00 100.00	11-1-40 \$46,100.00 0 14.	676.50
1,000.00	11-1-41 \$48,100.00 @ 8%	1803.29
80,000.00	11-1-48 845,100.00 8 5%.	18550
44,200.00	200-00	6715.5.
1.0000 ·	240.00	

DEVISION AND LAVERGER BUILDING COMPORATION - Lot MONTOLATE

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9 101 500.00 * 175.00 . •	
2 182 800.00 276.00 276.00 2 2	
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14.10	14.00	16.00	15.00	10.00	15.00	11.40	12.50	12.40	18.00	12.10	18.50	11.60	12.60
15.00	15.00	15.00	15.00	15.00	14.00	12.50	12.80	12.60	12.60	12.00	12.60	12.00	13.00
3.00	16.00	16.00	13.40	15.00	16.0	12.00	11.40	14.60	12.40	11.00	10.00	12.00	18.00
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	10.00	16.00	14.10	14.00	14.00	12.10	14.60	13.00	11.00	14.00	12.00	14.00	10.0
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TOTAL INT 1 MET

14,000.00

STATION P (POSTAL PATTETTIRS THE.) BID HERTOAGH

Scheaule 28.

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	€ €0	100.00		100.00
	C 41	100.00		100.00
	6 43	100.00		100.00
	0.63	100.00		100.00
	C 50	100.00		100.00
	E 67	100,00		100.00
•	C 76	100.00		100.00
	76	100.00		100.00
	C 76 C 79	100,00		100.00
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LAN TOTAL	1-1-19	-1-39 5	-1-40	0-1-40	1-1-11	4-1-41	2-1-41	<u>1-1-42</u>	1-1-4	-1-1
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1.50 .50			.50	.00	.80	.60	.50	.50	.50	.10
7.10 2.60	E. 50	7.80	2.30	1.40	1.00	1.10	1.10	2.60	1.50	2.50
7.50 3.00	8.40		2.80	3.10	1.50	1.00	8.60	1.60	1.40	1.40
7.50 2.50	3.50		1.40	8.80	2.00	1.60	1.00	1-30	3.60	1.10
PROPERTY AND ADDRESS OF THE PARTY AND ADDRESS	Nacrona de	A STATE OF THE STA				Allerton Salah		CONTRACTOR OF THE STREET	2.50	1.60
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	TICE THE	1919	20		Pi-II Dug	- -		1-1-10	144	<u>-1-44</u>		<u>-1-11</u>		-1-4	FI-R .	<u>-1-41</u>
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				\$00.00 \$00.00	7.60 7.60 7.60	1.00	1.40	1,00 1,00	1.40 1.40 1.40 1.40	1.00 1.00	1.00	1.00	1.0	F-100	0.40 0.41	1.00 1.00
) 100) 161			100.00 100.00 100.00	7.8	1.00		1.00		1.00				1.00	8.00 8.00 8.00	1.00
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				\$100.00 \$100.00 \$00.00	7,80 7,80 7,80	1.00	1.00 1.00 1.00	1.0	100			1.0		1.00	1.00	1.00
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				100.00 100.00	7.00	1.00	1.2	1.00	1.23	1.00	1.5	1.40	1.00	1.5	1,00	1.10
	ēn,	,		100,100.00	PAY-00	911.00	M1.00	1292.00	135.00	tar-m	4101.00	1307-00	4332.00	111.00	wim	121.00

PROPERTY (PROPERTY PARTIETY DE .) ETT ETREPART -CO.S.

	-	-	N	CALL STREET	gid From		Cost		<u>-1-40 0</u>		,			0.00		SHIP AND AS	75	1-1-41		72
			800.00	Original Contraction	al widter		00,000	Control of the Contro	7.00	131.60 t	151.00	2,60	1.60	1.00	1151.00	8.40	1.10	1131.10	8.50	1101
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	1 114		600,00				100,00		7.50	2,50	1.60	1.50	1.00	1.m	Le	1.10	1.30	2.00	2.10	1
	1 10		80,00		•		00.00		7.00	1.40	1.00	1.0	2.50	1.00	1.00	1.00	1,00	1.00	8,00	
	: 2		00,000			A Reput	100,00	1	7.80	7.10	8.00	1.10	1.40	8.50	1.00	1.00	8.80	1.10		
	5 137		900.40		•		100.30		7.40	2.00	1.40	1.30	1.60	1.50	1.60	1.00	1.0	1.00		i
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	3 50		100,70	•		710 713	800,.0		7.40	1.00	1.10	8.60	2.10	1.4	8.40	1.00	1.00	1.00	8.60	
	D 181		800.00		•		501 .00		7.10	1.00	1.40	1.60	2.10	1.00	1.00	1,00	1.2	1.80	1.00	
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	7.60	2.50	2.50	140	2.00	1.50	2.50	2,50	3,80	2.50	8.60	8.60
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STATION P (POSTAL PACILITIES, INC.) and MORTHAGE (Comt.d.)

Lehedule 28.

DATE -	SECURITY TO.	PAR	BOUGHT PROM	COST	SUBSTITUTED NUMBERS	Divisor Local	<u>0-1-00</u>
12-19-38	D 108	\$1,500.00 \$00.00 \$00.00	Powerd Halder Bres.	\$180.00 78.00 76.00	and the second s	91,279.80	6421.50
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		\$3,600,00		\$485.00		11,279.50	\$484.00

This payment should have been \$426.50. Check for \$2.50 received in 1944.

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Acut No.	0-1-91	<u> </u>	Terren	<u>6-1-40</u>	Rollegi	2-1-01	1-1-41	8-1-42	8-1-43	8-1-48
	\$426.50 2,50	\$426.50 2.50	\$416.50 2,50	\$425.50 2,50	2.50	\$424.50 2.50	\$426.50 2.50	\$426.50 2.50	\$425.50° 2.60	1426.50 2.50
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Total Interest \$6,087.50

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*Crorpayment of \$7.50 should have gone to PakaD, Chairman.
Payment made in 1964.

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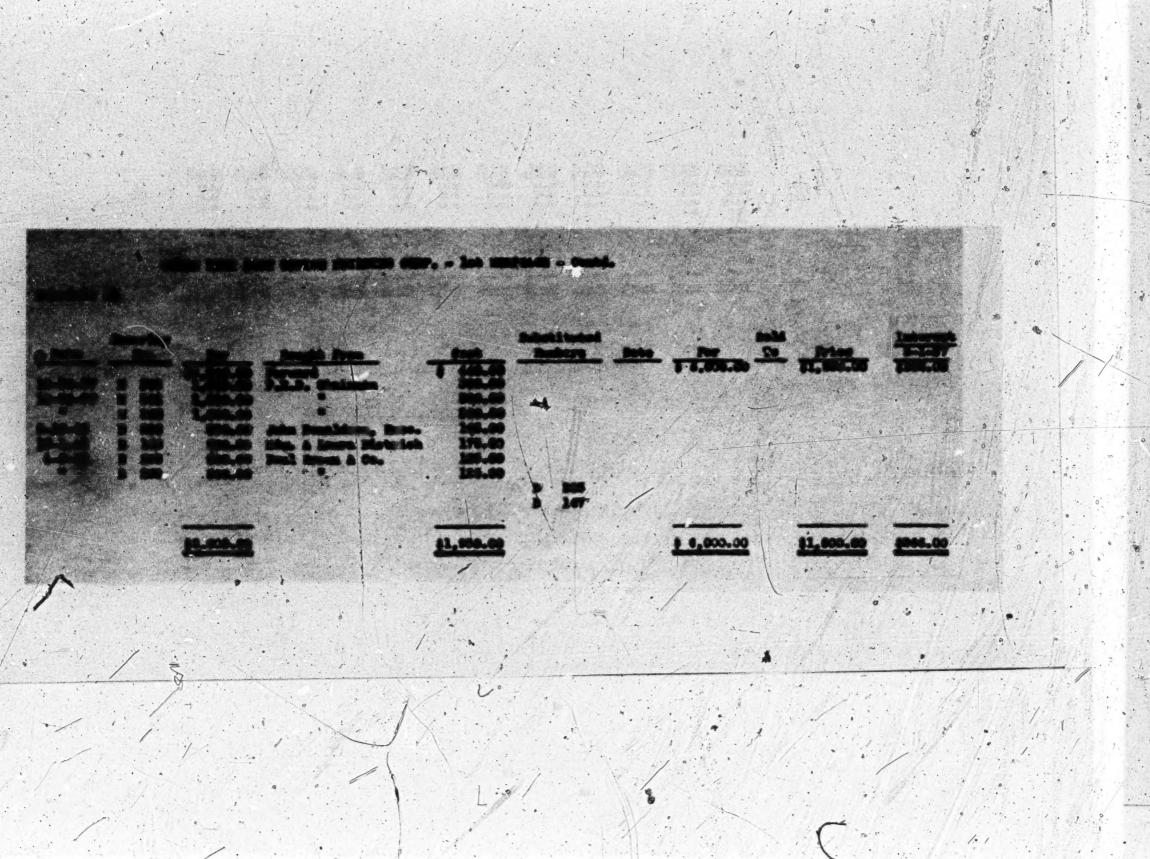
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6.00	3.00	1.00	8.00	3.00	4.50	4,10	4.40	4.00	6.00
6.00	1.00	8.00	3.00	3.00	4.60	4.50	4.50	6.00	5.00
4.00	8.00	8.00	1.00	3.00	4.50	4.40	4.50	6.00	6.00
6.00	3.00	3.00	3.00	1.00	4.50	4.60	4.50	6.00	6.00
6.00	8.00	3.00	1.00	3.00	4.80	4.60	4.60	4.00	6.00
6.00	3.00	8.00	3.00	3.00	4.00	4.50	4.40	6.00	6.00
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<u>BA78</u> to 6-1-36

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200. 106/84 Hegistered Geo. H. Andresen - 29 bends & \$100.00 806/627-429 Registered Geo. H. Andresen - 1214 /800.00

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134 And afterwards on, to wit, the 15th day of May, 1944 came the Securities And Exchange Commission by its attorneys and filed in the Clerk's office of said Court its certain Objections To The Final Report And Account of Paul E. Darrow, Trustee, covering The Period From April 25, 1935 to and including August 13, 1943, as Supplemented By Detailed Schedules Filed On February 11, 1944, And To The Application Of Said Trustee For Allowance Of Compensation, in Case No. 58334 in words and figures following, to wit:

135

IN THE UNITED STATES DISTRICT COURT For the Northern District of Illinois Eastern Division

• (Caption-No. 58334)

OBJECTIONS OF THE SECURITIES AND EX-CHANGE COMMISSION TO THE FINAL REPORT AND ACCOUNT OF PAUL E. DARROW, TRUSTEE, COVERING THE PERIOD FROM APRIL 25, 1935 TO AND INCLUDING AUGUST 13, 1943, AS SUP-PLEMENTED BY DETAILED SCHEDULES FILED ON FEBRUARY 11, 1944, AND TO THE APPLICA-TION OF SAID TRUSTEE FOR ALLOWANCE OF COMPENSATION

Comes now the Securities and Exchange Commission and objects to the Final Report and Account of Paul E. Darrow, trustee, filed herein on October 15, 1943, and supplemented by Detailed Schedules filed on February 11, 1944, covering the period from April 25, 1935 to and including

August 13, 1943, upon the following grounds:

1. The operating expenses as set forth in the Final Report and Account total \$121,910.15, whereas the same expenses as shown in the Detailed Supplementing Schedules total \$119,696.13, a reduction of \$2,214.02 by which amount the receipts are also shown to be decreased. Included in this latter figure are the sum of \$1,267.52 for office salaries, \$554.11 for Trustee's salary, and \$153.78 for rent.

2. The Detailed Supplementing Schedules reflect total interest of \$1,080 earned on United States Building Corporation second mortgage bonds held by the trustee,

whereas the summary contained therein sets forth the receipt of only \$980 by way of interest on these bonds.

3. The Detailed Supplementing Schedules disclose that in the purchasing and selling of securities by the 136 trustee of first mortgage bonds of Ferry Station Post

Office, Inc., a profit was determined by taking the difference between the purchase price of a particular bond and the selling price of a different bond of the same issue in at least five separate instances. The same procedure was followed in determining profits in at least two transactions involving the purchase and sale of first mortgage bonds of United States Building Corporation.

4. The Detailed Schedules supplementing the Final Report and Account fail to show interest earned or accrued for several years on several of the bond holdings of the trustee in certain subsidiaries, among which are Columbus Parcel Post Building, Inc., North Halsted Post Office Building Corporation, Quincy Station Post Office Building Corporation, Roseland Building Corporation, South Side Post Office Service Building Corporation, 22nd Street Station Building Corporation, and Villa Building Corporation, and no explanation is contained in the Final Report and Account or Detailed Supplementing Schedules to account for the absence of such interest.

5. The Detailed Supplementing Schedules disclose that Paul E. Darrow, as trustee, has from time to time made unauthorized loans of trust funds to subsidiaries of the trust and in particular made loans to Roseland Building Corporation between the dates of October 1, 1939 and August 27, 1942 totaling \$1,450, of which amount the sum of \$630 has been repaid leaving an unpaid balance of \$820 owing by Roseland Building Corporation to Paul E. Dar-

row, as trustee.

6. The summary of operating expenses for the period covered by the Final Report and Account shows a total miscellaneous expense of \$1,413.10 which is entirely unexplained and not supported by any detailed schedule.

7. The trustee has purchased from time to time various securities from two of his employees, namely, Jacob 137 Kulp and Myrtle Johnson, who have also occupied

a fiduciary relationship, and from Colonial Securities Company, a corporation owned or controlled by these employees, and also from associates or affiliates of these two employees, a large number of bonds of subsidiary companies upon the sale of which to the trustee these employees have realized substantial profits for which the

trustee has not accounted.

8. The trustee has retained in his employ on a salaried basis Jacob Kulp and Myrtle Johnson who have operated a securities business in the same suite of offices with the trustee during the period covered by this Final Report and Account, and said Jacob Kulp and Myrtle Johnson, through the operation of their securities business, have purchased and sold securities of the subsidiaries of the trust estate utilizing information gained by them in the fiduciary relations which they occupied as employees of the trustee and have realized by such trading in these securities substantial profits for which the trustee has not accounted.

9: The Final Report and Account of Paul E. Darrow, as trustee, and the Detailed Supplementing Schedules filed in support thereof do not agree in numerous instances with the record of purchases and sales of securities by the trustee as set forth in the report filed herein on June 8, 1942 by Frederick B. Andrews, Certified Public Account-

ant, pursuant to order of Court.

10. The Final Report and Account fails to account for the omission of Paul E. Darrow, as trustee, as owner of all of the stock of Quincy Station Post Office Building Corporation to prosecute to a conclusion a cause of action against the members of the board of directors of said Quincy Station Post Office Building Corporation, including two of his employees, namely, Jacob Kulp and Myrtle

Johnson, to recover the amount of a \$100,000 dividend 138 illegally and improperly declared by resolution of said board of directors on November 22, 1930 and paid to Jacob Kulp on or about January 2, 1931. The declaration of said dividend was illegal and improper because the said corporation at the time had earnings or earned surplus of only \$26,924.40 available for dividends, and its payment to Jacob Kulp was wrongful and improper because at that time and prior thereto all of the stock of this corporation was beneficially owned by Federal Facilities Realty Trust and pledged to secure its outstanding Collateral Trust Gold Bonds.

11. No detailed information regarding the purchases and sales of bonds of subsidiary corporations by the "Paul

E. Darrow, Chairman Account" is included in either the Final Report and Account of Paul E. Darrow, trustee, or in the Detailed Schedules supplementing the Final Report and Account of Paul E. Darrow, trustee, as required

by order of Court.

12. The Securities and Exchange Commission also objects to the allowance of any further compensation to Paul E. Darrow, as trustee, upon the ground that the interim fees heretofore received by him are ample compensation for all of the services which he has rendered, in view of the results accomplished, the size and ability of the estate to pay, and particularly in view of the conduct of the trustee in the administration of this estate.

Wherefore the Securities and Exchange Commission respectfully asks that the Final Report and Account of Paul E. Darrow, as trustee, be disapproved, that Paul E. Darrow be disallowed any further compensation, and that he and the surety on his bond be surcharged in such amounts as may upon a hearing be properly determined.

Thomas B. Hart
Thomas B. Hart
G. Gale Roberson
G. Gale Roberson
Leo J. Powers
Leo J. Powers
Attorneys for the Securities and
Exchange Commission.

And on the same day, to wit, the 15th day of May, 1944 came the Securities And Exchange Commission by its attorneys and filed in the Clerk's office of said Court its certain Objections To The Final Report And Account of Paul E. Darrow, Trustee, Covering The Period From June 1, 1935 to And Including August 13, 1943, As Supplemented By Detailed Schedules Filed On April 21, 1944, And To The Application Of Said Trustee For Allowance Of Compensation, In Case No. 58335, in words and figures following, to wit:

140

IN THE UNITED STATES DISTRICT COURT
For the Northern District of Illinois
Eastern Division

(Caption-No. 38335)

OBJECTIONS OF THE SECURITIES AND EX-CHANGE COMMISSION TO THE FINAL REPORT AND ACCOUNT OF PAUL E. DARROW, TRUSTEE, COVERING THE PERIOD FROM JUNE 1, 1935 TO AND INCLUDING AUGUST 13, 1943, AS SUPPLE-MENTED BY DETAILED SCHEDULES FILED ON APRIL 21, 1944, AND TO THE APPLICATION OF SAID TRUSTEE FOR ALLOWANCE OF COMPEN-SATION

Comes now the Securities and Exchange Commission and objects to the Final Report and Account of Paul E. Darrow, trustee, filed herein on October 15, 1943, and supplemented by Detailed Schedules filed on April 21, 1944, covering the period from June 1, 1935, to and including

August 13, 1943, upon the following grounds:

1. The operating expenses as set forth in the Final Report and Account total \$156,758.24, whereas the same expenses as shown in the Detailed Schedules total \$158,823,24, an increase of \$2,065.00 by which amount the receipts are also shown to be increased. This discrepancy of \$2,065.00 is reflected in the Detailed Schedules which show total net purchases of bonds of subsidiaries in the amount of \$49,534.25, whereas the Final Report and Account of Paul E. Darrow, trustee, indicates the expenditure of \$47,469.25 for the purchase of such bonds.

2. The Detailed Schedules supplementing the Final

Report and Account fail to show interest earned or accrued for several years on certain of the bondholdings

are Austin Station Building Corporation, Division and Lavergne Building Corporation, Postal Facilities, Inc. (Station F), Grand Rapids Parcel Post Building Corporation, LaGrange Post Office Building Corporation, and Parkview Manor Building Company, and no explanation is contained in the Final Report and Account or Detailed Schedules to account for the absence of such interest.

3. The Detailed Schedules disclose that Paul E. Darrow, as trustee, from time to time made unauthorized loans of trust funds to subsidiaries of the trust between the dates of January 7, 1936 and July 26, 1943, totalling \$76,015.50, of which amount the sum of \$69,515.50 was repaid, leaving an unpaid balance of \$6,500.00 as of August

13, 1943.

4. The trustee has purchased from time to time various securities from one of his employees, Myrtle Johnson, who has also occupied a fiduciary relationship, and from Colonial Securities Company, a corporation owned and controlled by said Myrtle Johnson and Jacob Kulp who were also employees of the trustee and occupied a fiduciary relationship, and also from associates or affiliates of said Myrtle Johnson and Jacob Kulp, a large number of bonds of subsidiary companies, upon the sale of which to the trustee these employees, Colonial Securities Company, and affiliates and associates of these employees have realized substantial profits for which the trustee has not accounted.

5. The trustee has retained in his employ on a salaried basis Jacob Kulp and Myrtle Johnson, who have operated a securities business in the same suite of offices with the trustee, during the period covered by this Final Report and Account, and said Jacob Kulp and Myrtle Johnson, through the operation of said securities business have pur-

chased and sold securities of the subsidiaries of the 142 trust estate utilizing information gained by them in

the fiduciary relationship which they occupied as employees of the trustee and have realized by such trading in these securities substantial profits for which the trustee has not accounted.

6. The Final Report and Account of Paul E. Darrow, as Trustee, and the Detailed Schedules filed in support thereof do not agree in numerous instances with the

record of purchases and sales of securities by the trustee as set forth in the Report dated June 24, 1942, and filed herein by Frederick B. Andrews, Certified Public Account-

ant, pursuant to order of Court.

7. No detailed information regarding the purchases and sales of bonds of subsidiary corporations by the "Paul E. Darrow, Chairman Account" is included in either the Final Report and Account of Paul E. Darrow, trustee, or in the Detailed Schedules supplementing the Final Report and Account of Paul E. Darrow, trustee, as required by order of Court.

8. The Securities and Exchange Commission also objects to the allowance of any further compensation to Paul E. Darrow, as trustee, upon the ground that the interim fees heretofore received by him are ample compensation for all of the services which he has rendered, in view of the results accomplished, the size and ability of the estate to pay, and particularly in view of the conduct of the trustee in the administration of this estate.

Wherefore the Securities and Exchange Commission respectfully asks that the Final Report and Account of

Paul E. Darrow as Trustee, be disapproved, that Paul 143 E. Darrow be disallowed any further compensation,

and that he and the surety on his bond be surchanged in such amounts as may upon hearing be properly determined.

Thomas B. Hart
Thomas B. Hart
G. Gale Roberson
G. Gale Roberson
Leo J. Powers
Leo J. Powers
Attorneys for Securities and Exchange Commission

144 And afterwards on, to wit, the 29th day of May, 1944 came the Successor Trustee, Stacy C. Mosser, by his attorneys and filed in the Clerk's office of said Court his certain Objections to the Final Report and Account of Paul E. Darrow, Trustee, as Supplemented by Detailed Schedules, Covering the Period From April 25, 1935, to August 13, 1943, and the Application of said Trustee for Allowance of Compensation, in the respective cases Numbered 58334 and 58335, in words and figures following, to wit:

145

IN THE DISTRICT COURT OF THE UNITED STATES
For the Northern District of Illinois
Eastern Division

• (Caption-No. 58334)

OBJECTIONS OF STACY C. MOSSER, SUCCESSOR TRUSTEE, TO THE FINAL REPORT AND ACCOUNT OF PAUL E. DARROW, TRUSTEE, AS SUPPLEMENTED BY DETAILED SCHEDULES, COVERING THE PERIOD FROM APRIL 25, 1935 TO AUGUST 13, 1943 AND THE APPLICATION OF SAID TRUSTEE FOR ALLOWANCE OF COMPENSATION.

Stacy C. Mosser, successor trustee, objects to the final account of Paul E. Darrow, trustee, as supplemented by detailed schedules, covering the period from April 25, 1935, to and including August 13, 1943, and states in support of said objections as follows:

1. The item in said account described as "miscel-

laneous expense" is not itemized.

2. The final report is at variance with the supple-

mented detailed schedules. .

3. The trustee made loans to subsidiary corporations in many instances without authority, which have not been repaid and which said claims are not set up as assets of this estate.

4. Interest received from United States Building Corporation 2nd Mortgage Bonds is set up in one portion of the report as \$1,080.00, and in another portion of said

report as \$980.00.

5. The trustee permitted full time employees of the trust to engage in business ventures of their own, and from which the trustee did not receive any benefit.

6. The trustee permitted Myrtle Johnson and

Jacob Kulp and their associates and affiliates, to occupy space in the office paid for by this estate for the purpose of carrying on their individual business, without payment to this estate of expenses incurred for said office space, telephone, stenographer, and other incidental expenses.

7. The Colonial Investment Company, a corporation, which was engaged in the business of purchasing and selling securities, was permitted to occupy space in the office of this estate without proper reimbursement for the use of said space, telephone, stenographer, and other in-

cidental office expenses.

8. Myrtle Johnson and Jacob Kulp, and their associates and affiliates, while occupying a fiduciary relationship to this estate, obtained information concerning the financial condition of this estate and its subsidiary corporations which enabled said persons and corporations to deal in the securities of this estate and its subsidiaries, with a resultant profit to said persons and corporations, and a loss to this estate and its creditors.

9. The trustee permitted Jacob Kulp to engage in the insurance and real estate brokerage business to the detri-

ment of this estate.

10. The trustee failed to account for a portion of the fees which he received as reorganization fees in the matter of the reorganization of the subsidiary corporations.

11. The trustee has failed to account for interest which was paid to him as trustee, or which he should have received on bonds owned by this estate, and on bonds purchased by his employees and their associates and affiliates.

12. The trustee purchased securities from his employees and their associates and affiliates, and per-

on said transactions, all of which said profits, together with interest on said securities should have been delivered up to this estate.

13. The trustee purchased securities and resold them at a profit to other than subsidiary corporations thereby increasing the indebtedness of said subsidiaries, and, ac-

cordingly, reducing the equitable interest of this estate

in said subsidiaries.

14. The trustee failed to take the necessary action in the matter of the sale of bonds of subsidiaries of this trust and other securities, in the case of Seligman v. Kulp, et al, No. 35 S 11241, then pending in the Superior Court of Cook County, in furtherance of a plan to permit said securities to be purchased through a "dummy bidder" for later delivery through the agency of Max Levy, Sallie Levy, and Colonial Securities Company, to this estate, at a substantial profit to said intermediaries.

15. The trustee failed to keep proper books of account, thereby enabling his employees to engage in security transactions, the exact nature of which cannot be ascertained without great expense and loss to this estate.

16. All items of disbursements representing payment of salaries to Myrtle Johnson and Jacob Kulp, and other employees who stood any fiduciary relationship to this estate, and who engaged in the purchase or sale of securities, or otherwise derived profits, should be disallowed.

17. All items of disbursements representing salaries or fées paid to Paul E. Darrow, trustee, should be disallowed.

18. All items of expense for telephone, office rent, supplies, stenographer's services, etc. incurred, in whole or in part, for or by any person, firm or corporation other than this estate, should be disallowed.

19. Further compensation to Paul E. Darrow, trustee,

should be denied.

148 20. No detailed accounting has been rendered showing the receipts and disbursements in the Paul

E. Darrow Chairman account.

21. The objector adopts each and all of the objections heretofore filed on behalf of the Securities and Exchange Commission and expressly makes said objections a part

hereof by reference.

This objection respectfully asks that the final report and account, as supplemented by detailed schedules, of Paul E. Darrow, Trustee, be disapproved, and that this court enter all necessary and proper orders to surcharge the said trustee and the surety on his bond for such sums of money as may be found due and owing to this estate upon a hearing of these objections.

Deming, Jarrett & Mulfinger Attorneys for Stacy C. Mosser,

Successor Trustee.

149

IN THE DISTRICT COURT OF THE UNITED STATES For the Northern District of Illinois Eastern Division

• • (Caption-No. 58335)

OBJECTIONS OF STACY C. MOSSER, SUCCESSOR TRUSTEE, TO THE FINAL REPORT AND ACCOUNT OF PAUL E. DARROW, TRUSTEE, AS SUPPLEMENTED BY DETAILED SCHEDULES, COVERING THE PERIOD FROM APRIL 25, 1935 TO AUGUST 13, 1943, AND THE APPLICATION OF SAID TRUSTEE FOR ALLOWANCE OF COMPENSATION.

Stacy C. Mosser, successor trustee, objects to the final account of Paul E. Darrow, trustee, as supplemented by detailed schedules, covering the period from April 25, 1935 to and including August 13, 1943, and states in support of said objections as follows:

1. The item of \$1,688.12, and described in said account

as "miscellaneous expense", is not itemized.

2. The final report is at variance with the supplemented detailed schedules in the matter of expenditures.

3. The trustee made loans to subsidiary corporations in many instances without authority, which have not been repaid and which said claims are not set up as assets of this estate.

4. The trustee permitted full time employees of the trust to engage in business ventures of their own, and from which the trustee did not receive any benefit.

5. The trustee permitted Myrtle Johnson and Jacob Kulp and their associates and affiliates, to occupy space in the office paid for by this estate for the purpose of carrying on their individual business, without payment to this estate of expenses incurred for said office space,

telephone, stenographer, and other incidental expenses.
6. The Colonial Investment Company, a corpora-

tion, which was engaged in the business of purchasing and selling securities, was permitted to occupy space in the offices of this estate without proper reimbursement for the use of said space, telephone, stenographer, and other incidental office expenses.

7. Myrtle Johnson and Jacob Kulp, and their associates and affiliates, while occupying a fiduciary relationship to this estate, obtained information concerning the

financial condition of this estate and its subsidiary corporations which enabled said persons and corporations to deal in the securities of this estate and its subsidiaries, with a resultant profit to said persons and corporations, and a loss to this estate and its creditors.

8. The trustee permitted Jacob Kulp to engage in the insurance and real estate brokerage business to the detri-

ment of this estate.

9. The trustee failed to account for a portion of the fees which he received as reorganization fees in the matter of the reorganization of the subsidiary corporations.

10. The trustee has failed to account for interest which was paid to him as trustee, or which he should have received on bonds owned by this estate, and on bonds purchased by his employees and their associates and affiliates.

11. The trustee purchased securities from his employees and their associates and affiliates, and permitted said persons and corporations to make profit on said transactions, all of which said profits, together with interest on said securities, should have been delivered up to this estate.

12. The trustee purchased securities and resold them at a profit to other than subsidiary corporations there151 by increasing the indebtedness of said subsidiaries,

and, accordingly, reducing the equitable interest of

this estate in said subsidiaries.

13. The trustee failed to take the necessary action in the matter of the sale of bonds of subsidiaries of this trust and other securities, in the case of Seligman v. Kulp, et al, No. 35 S 11241, then pending the Superior Court of Cook County, in furtherance of a plan to permit said securities to be purchased through a "dummy bidder" for later delivery through the agency of Max Levy, Sallie Levy, and Colonial Securities Company, to this estate, at a substantial profit to said intermediaries.

14. The trustee failed to keep proper books of account, thereby enabling his employees to engage in security transactions, the exact nature of which cannot be ascertained without great expense and loss to this estate.

15. All items of disbursements representing payment of salaries to Myrtle Johnson and Jacob Kulp, and other employees who stood any fiduciary relationship to this estate and who engaged in the purchase or sale of securities, or otherwise derived profits, should be disallowed.

16. All items of disbursements representing salaries or fees paid to Paul E. Darrow, trustee, should be disallowed.

17. All items for expense for telephone, office rent, supplies, stenographer's services, etc. incurred, in whole or in part, for or by any person, firm or corporation other

than this estate, should be disallowed.

18. Further compensation to Paul E. Darrow, trustee,

should be denied.

19. No detailed accounting has been rendered showing the receipts and disbursements in the Paul E. Darrow Chairman account.

152 20. The objector adopts each and all of the objections heretofore filed on behalf of the Securities and Exchange Commission and expressly makes said objec-

tions a part hereof by reference.

This objector respectfully asks that the final report and account, as supplemented by detailed schedules, of Paul E. Darrow, trustee, be disapproved, and that this court enter all necessary and proper orders to surchange the said trustee and the surety on his bond for such sums of money as may be found due and owing to this estate upon a hearing of these objections.

Deming, Jarrett & Mulfinger Attorneys for Stacy C. Mosser,

Successor Trustee.

153 And afterwards, to wit, on the 20th day of July, 1944, being one of the days of the regular July term of said Court, in the record of proceedings thereof, in said entitled cause, before the Honorable William H. Holly District Judge, appears the following entries, in the respective cases numbered 58334 and 58335, to wit:

154

IN THE DISTRICT COURT OF THE UNITED STATES
For the Northern District of Illinois
Eastern Division

• (Caption-No. 58334)

ORDER

This matter coming on to be heard upon the final report and account of Paul E. Darrow, the former Trustee

herein, said final report and account being filed herein on October 15, 1943, and the supplementary schedules to said final report and account filed herein on February 11, 1944:

And it appearing to the court that notice hereof has been served upon all parties to this cause and that all parties herein are present in Court or represented by

counsel;

And it further appearing to this Court that objections to the said final report and account as supplemented have been filed herein by the Securities and Exchange Commission, Stacy C. Mosser, the Successor-Trustee herein, and John W. Guild, as Successor-Trustee under that in-

denture dated October 1, 1929;

It Is Therefore Hereby Ordered that the final report and account of Paul E. Darrow, the former Trustee herein, filed herein on October 15, 1943, and supplements thereto filed herein on February 11, 1944, together with the objections filed thereto by the Securities and Exchange Commission, Stacy C. Mosser, as Successor-Trustee herein, and John W. Guild, as Successor-Trustee as aforesaid, and such other objections as may be filed thereto by parties in interest herein, be and the same are hereby referred to Archie Cohen as a Special Master, who is hereby directed to conduct full and complete hearings thereon and to report his findings of facts and conclusions of law with reference thereto to this Court.

Enter:

Holly

Judge.

155

IN THE DISTRICT COURT OF THE UNITED STATES.
For the Northern District of Illinois
Eastern Division

• (Caption-No. 58335)

ORDER

This matter coming on to be heard upon the final report and account and supplementary schedules of Paul E. Darrow, the former Trustee herein;

And it appearing to the Court that notice hereof has

been served upon all parties to this case and that all parties herein are present in Court or represented by

counsel;

And it further appearing to this Court that objections to said final report and account as supplemented have been filed herein by the Securities and Exchange Commission and Stacy C. Mosser, the Successor-Trustee here-

in;

It Is Therefore Hereby Ordered that the final report and account as supplemented of Paul E. Darrow, the former Trustee herein, together with the objections filed thereto by the Securities and Exchange Commission and Stacy C. Mosser, Successor-Trustee herein, and such other objections as may be filed thereto by parties in interest herein, be and the same are hereby referred to Archie Cohen as a Special Master, who is hereby directed to conduct full and complete hearings thereon and to report his findings of facts and conclusions of law with reference thereto to this Court.

Enter:

Holly Judge.

April, 1948 there were filed in the Clerk's office of said Court certain Transcripts of Proceedings had Before Honorable Archie H. Cohen, Special Master, Commencing on October 25, 1944, to and including May 28, 1947, (including the Abstract of Record), in words and figures following, to wit:

160

MEMORANDUM

January 23, 1946

To:

G. Gale Roberson, Principal Attorney, Reorganization From:

John I. Mayer, Attorney

Subject:

Federal Facilities Realty Trust, S.E.C. Case No. 209-

240 National Realty Trust, S.E.C. No. 209-241

Preliminary Statement
On October 15, 1943, Paul E. Darrow as trustee of
Federal Facilities Realty Trust filed his final report and

account and thereafter on February 11, 1944, pursuant to court order filed Detailed Schedules supplementing his final report and account. On October 15, 1943, said Paul E. Darrow as trustee of National Realty Trust filed his final report and account and on April 21, 1944, pursuant to court order filed Detailed Schedules supplementing his final report and account. On May 15, 1944, the Securities and Exchange Commission filed objections to each of said final reports and accounts as supplemented by Detailed Schedules. Objections were also filed in each case by Stacy C. Mosser as successor reorganization trustee and in the case of Federal Facilities Realty Trust objections were filed by John W. Guild as successor trustee under indenture of mortgage dated October 1, 1929.

Judge Holly referred said final accounts and reports and the objections thereto to Archie H. Cohen as Special Mas-

ter.

Attorneys Appearing in the Cause

The following counsel appeared at said hearing before

the Special Master:

Irving Herriott and W. Ward Smith for Paul E. Darrow former reorganization trustee.

Deming, Jarrett and Mulfinger by C. Wesley Mul-

finger for Stacy C. Mosser, successor reorganization trustee.

Jacob B. Courshon for John W. Guild, successor trustee under mortgage indenture.

161 Goldman; Allshouse and Healy by Louis Goldman for petitioning creditors.

Irwin T. Gilruth for F. B. Andrews.

G. Gale Roberson and John I. Mayer for Securities and Exchange Commission

The following is a resumé of the testimony taken at the hearings before the Special Master.

162 Hearing before Special Master Archie H. Cohen October 25, 1964

CLAIRE M. MARQUISS

(Cross Examination by Mr. Mulfinger)

I reside at Arlington Heights, Illinois, and have been an accountant for over twenty years. I was employed by Jacob Kulp & Co. Mr. Kulp's place of business was at 33 South LaSalle Street, and my employment with him started in December of 1928. His company dealt in investment securities. Myrtle

Johnson was secretary.

After three years, the company moved to 29 South LaSalle Street on the eighth floor and occupied that office until the company's bankruptcy or until it turned over its business to George H. Andresen in 1933. The company dealt mostly in post office bonds, although in 1929 they started dealing in general securities. Colonial Securities was organized about 1930 or 1931. They shared offices with Jacob Kulp & Co. and its organizers were the officers of the latter, namely, Jacob Kulp, Myrtle Johnson and Lee Kulp. They occupied those offices until after Darrow's appointment when we moved to 100 West Monroe Street in 1936 or 1937.

I kept the books in the office and did the accounting work. After Darrow's appointment, Jacob Kulp and Myrtle Johnson and I continued in his employ. Darrow occupied space in the office formerly occupied by Jacob Kulp & Co. and Colonial. Miss Johnson was office manager, and dealt with bondholders who came in Kulp's duties were confined to the physical management of the buildings. Miss Johnson received \$250 a month. Kulp did not receive a salary for the first several months from Darrow; then his salary started at \$300 and remained at that figure. He spent about two or two and one-half hours a day in the office. After Darrow was appointed, I kept the books of the trusts and the subsidiaries and in between times recorded the few transactions of Colonial, which was then practically in liquidation and doing little business.

It was never in formal liquidation, but the business was gone and they were gradually liquidating what they could. What business they did was largely post office securi-

ties.

163 Myrtle Johnson and Jacob Kulp continued in Darrow's employ until he resigned. I have subsequently been employed by Stacy Mosser, successor trustee. I know Hattie Kulp, Mr. Kulp's wife. I knew Jane Baumann and Marahlea Baumann, relatives of the Kulps'. Max Levy was a friend of Jacob Kulp and came into the office frequently until Darrow resigned. I met Sally Levy.

She is Mr. Levy's wife. Emma Johnson is Mrs. Johnson.

son's mother and Gilbert Johnson is Miss Johnson's brother. Dearborn 8666 was taken over by Colonial upon the ending of Jacob Kulp & Co's activities. The number appears in the telephone book under the name of Colonial Securities Company and other names were listed as necessary. Miss Johnson had a private office next to Darrow's, and Jacob Kulp had a desk in the general office while we were located at 100 West Monroe Street. The insurance was written by L. A. Rose & Co. The bills were all marked "J. Kulp".

Jacob Kulp did not conduct an insurance business of his own through the office at that time. I don't know if

he did at home.

CLAIRE M. MARQUISS

(Direct examination by Mr. Courshon)

From 1933 on Colonial did very little business. It was chiefly in post office bonds of Federal, National of the subsidiaries.

CLAIRE M. MARQUISS

(Direct examination by Mr. Roberson)

The officers of Colonial were Jacob Kulp, Miss John-

son and Lee Kulp since its organization.

They have continually held the stock. Mr. Kulp is president, Miss Johnson, secretary and Lee Kulp, vice president.

Darrow moved to 100 West Monroe Street in about 1936 and remained there until August 1943. Until about a few months before Darrow's resignation, Colonial maintained a separate suite in which Kulp had an office, and it was not until that office of Colonial was relinquished that Kulp moved into Darrow's end of the office.

After Colonial gave up its space, Kulp had a desk in the private office of Darrow. The offices of Darrow and

Colonial had separate entrances, but they were opened in between so that it appeared as one large suite of offices.

Colonial's lease ran out about two years ago, but it was allowed to use the office until a new tenant was securedabout 20 or 18 months ago. Colonial and the top trusts had separate leases.

Colonial occupied about 40% of the space and the trusts about 60%.

Darrow was listed in the book under the Colonial telephone number. Colonial paid part of the bill and the trusts

paid a portion of it.

Each paid its portion of the bill by separate checks payable to the telephone company. Miss Johnson had an office adjoining Darrow's. She kept informed and was in a position to keep informed regarding the operations of the trusts and the several building corporations.

The trustees consulted her and also Kulp to a lesser extent as to operations of the trusts. He had access to the records and could receive any information but did not go into it to the same extent Miss Johnson did. He kept in-

formed as to the operating costs and tenancy.

Kulp and Johnson were both in confidential relationship with Darrow, and he did not withhold from them anything with respect to the operation of the companies.

CLAIRE M. MARQUISS

(Redirect examination by Mr. Courshon)

Each of the subsidiaries was the holder of a building

which issued first or second mortgage bonds.

These bonds were sold through Jacob Kulp & Co, or in case of some larger first mortgage bond issues by some underwriting house. Jacob Kulp & Co. took the bonds from the issuer at a discount and marketed them at what prices

they saw fit. They paid the issuers by a credit on its

165 books.

A cash consideration generally had been partially paid by the Jacob Kulp & Company's advancing funds for the business or for the purpose of the issuing company or for financing the purchase of land. In some cases they might have started construction before the bonds were issued. After the issue of the bonds, Jacob Kulp & Co. paid for the completion of the project.

In regard to the bond issue of Federal in the sum of one million dollars dated October 1, 1929, Jacob Kulp & Co. marketed the bonds by picking up amounts from time to

time as it was able to dispose them.

One million dollars in bonds was authorized and about \$550,000 issued.

The consideration consisted of book entries by way of credits and debits. Part of the bonds were used to pay Kulp for his equities in the subsidiaries. Jacob Kulp & Co. took the bonds from Federal at a discount.

CLAIRE M. MARQUISS

(Re-direct examination by Mr. Mulfinger).

The list under Colonial's telephone number included Darrow, Johnson and Federal while at 100 West Monroe Street. While Darrow was trustee, Miss Johnson was still

secretary of Colonial and active in that capacity.

I had no other employment except the employment by Darrow. Colonial did not employ a stenographer in the last several years. One of Darrow's stenographers wrote the letters for Colonial.

CLAIRE M. MARQUISS

(Re-direct examination by Mr. Roberson)

My entire salary was paid by Darrow from 1935 until

August 1943. I was paid nothing by Colonial.

Not to my knowledge were any of Darrow's other employees who rendered service to Colonial paid by Colonial. Frequently, people who held bonds of the subsidiaries called at the office to make inquiries about or to sell the

bonds. They were generally referred to Miss Johnson

166 or Darrow.

Darrow purchased bonds of the subsidiaries with funds of the trusts, and Colonial was also engaged in buying and selling those bonds. Most of the people inquiring as to the price of the bonds would talk to Miss Johnson because they had had past relationship with her.

The trusts or one of the companies would buy all bonds

they could possibly finance.

The office occupied by Miss Johnson was in that portion of the suite occupied by Darrow. The door at that end of the suite occupied by the trusts had their names on it and the number "1807". The door for the other part of the suite was marked "1811" and bore the name of Colonial.

CLAIRE M. MARQUISS

(Re-re-direct examination by Mr. Mulfinger)

The occupants of Colonial's office gradually left until about 1940 or 1941 when Kulp alone occupied the office for a couple hours a day. I was never specifically directed by Darrow to keep the number of bonds purchased or sold.

CLAIRE M. MARQUISS

(Cross-examination by Mr. Herriott)

I went to work for Jacob Kulp & Co. December of 1928. I believed we completed two of the buildings after that

time. Jacob Kulp & Co. was still selling the bonds.

It is only because I had seen the bookkeeping entries that I knew that Kulp & Co. had underwritten some bonds and had credited the various companies with the proceeds. I was with Kulp & Co. when George Andresen was appointed voluntary trustee. As to the cause of Kulp's resignation as trustee of the two top trusts, I know it was a Department of Justice investigation of some kind. Andresen became trustee of the two top trusts and also of the Kulp-Andresen trust involving Kulp's securities.

I believe the latter securities subsequently went to Melvin Hawley, as trustee. I believe that as part of the settlement of the Department of Justice investigation Kulp turned over the securities to Andresen for the benefit of

the various properties in the present proceeding.

167 I continued to work for Andresen.

He occupied the office formerly occupied by Kulp & Co. It went into receivership in 1933. Colonial had been organized by that time. Andresen and Colonial occupied the same space. I was working for Andresen but performed some work for Colonial. I presume the rent was divided between Andresen and Colonial.

Some time after Andresen became trustee, may be two months or six months, Miss Johnson was put on a salary basis.

At first, Andresen supervised the properties and later Kulp did so in about the same manner he operated under Darrow.

At 29 South LaSalle Street, one door was used as an entrance. Kulp and Johnson performed the same services

for Andresen as they later performed for Darrow. I think Miss Johnson started at \$200 a month. Andresen received \$1,000 a month for his services as trustee.

Hearing Before Special Master Archie H. Cohen November 1, 1944

CLAIRE M. MARQUISS

(Cross-examination by Mr. Herriott)

Miss Johnson was employed full time by Andresen at

\$200 per month.

Her salary with Darrow was \$200 a month. While she was working for Andresen, the bondholders came to see her the same as they did later under Darrow. I would not say that Colonial maintained a market for the securities of the subsidiaries but they assisted in maintaining a market. The trusts and the individual companies maintained the market.

The Andresen-Kulp wust was created in July 1933. Harry Holden was a co-trustee with Andresen, but I think

that he had resigned prior to Darrow's appointment.

His salary was \$150 a month, in addition to Andresen's \$1000 a month. As I recall, Darrow opened his office at 100 West Monroe Street in about 1937. Colonial occupied about 40% of the office space.

After Colonial ceased to occupy its portion of the premises, the space was walled off. Colonial's name was not put on Darrow's door. As I remember, the only names on the door were those of Darrow and the two trusts.

The present trustee employs, with one exception, the same ones Darrow employed except Kulp and Johnson. For the past several years, Colonial has had no active operations and has been liquidating its securities as the market became advantageous. Colonial did a substantial business up until 1935 or 1936. The insurance on the buildings was placed by L. A. Rose & Co.

It is a regularly established insurance agency in Chicago. Mr. Kulp's name was typed on the bills just above the line separating the heading from the billing portion. The possibility is that this indicated a joint interest in the account. That was true while Darrow was trustee, as well as while

Andresen was trustee.

169 As far as I know, the Kulp-Andresen trust was created for the benefit of Federal and National and the bondholders.

Melvin Hawley was appointed trustee for the Kulp-Andresen trust, but I do not know whether it was concurrent with Darrow's appointment in Federal and National. I took no part in the purchase, on behalf of Darrow, of bonds. This was handled by Miss Johnson or Darrow.

Darrow generally spent about seven hours a day in the office, except Saturday which was a half day. I know of two occasions on which Darrow purchased bonds issued by the companies or the trusts with his or borrowed funds.

Kulp and Johnson continued to spend time in the office after Mosser became trustee. The purchase of bonds continued during Mosser's regime while Johnson and Kulp were there. Johnson and Kulp have not been in Mosser's office since August 1, 1944. Mosser was appointed on August 13, 1943, and Kulp and Johnson continued in his organization and Miss Johnson continued to buy bonds for the trust estates.

CLAIRE M. MARQUISS

(Re-direct examination by Mr. Mulfinger)

After Mosser's appointment, Darrow, Kulp and Johnson were in the office for a time. I do not know whether an agreement was reached as to the amount they were to pay

for their space.

All I know is I made an allocation on a basis suggested by Mosser but he and Darrow have never come to a settlement. Miss Johnson continued on the payroll two or three months after Mosser was appointed. Kulp was discontinued almost immediately. Colonial employed two people at the time Darrow was appointed.

Darrow's cashier worked on the books with Colonial as

well as the trusts and Darrow paid her salary.

After 1936, Darrow's stenographer did the stenographic

work for Colonial.

170 After Colonial gave up its office space, part of its furniture was moved into Darrow's office. The cage where the books were kept was in Darrow's portion. Miss Johnson occupied a private office in Darrow's space.

After Colonial relinquished its space, they moved their books, if they had any in their space, into Darrow's office.

I have telephone bills which run from September 21, 1940 to the present. Darrow paid all these bills. I have found no earlier ones, some of them were destroyed about two years ago by Darrow.

CLAIRE M. MARQUISS

(Re-cross examination by Mr. Herriott)

Colonial's stenographer, Miss Joerger, was paid by Colonial. I do not know whether she performed any service for Darrow. Darrow had his own stenographer. Miss Johnson and salesmen of Colonial dictated to Miss Joerger.

Colonial's messenger boy ran some errands for Darrow and did mimeograph work for Darrow as well as work in

connection with mailings.

Colonial's lease expired early in 1940, but they occupied the space until some time later, which may have been about the end of 1942:

The telephone charges were allocated between Darrow and Colonial. They sent in their separate checks at the same time with the bill, which was rendered to Colonial.

However, there was a time when Colonial's telephone requirements were practically eliminated and from then on Colonial had no telephone charges except a few long distance calls. When its requirements were substantial, there was an allocation between Darrow and Colonial. To explain further—the telephone bill was paid by individual checks which were all sent in with the bill; for example, if it was \$85, \$40 might have been Colonial's and \$40 Darrow's and \$5 in other checks. There would be a memorandum to indicate who paid the various portions of the bill and it would be marked on the bills.

Darrow's cashier formerly worked for Andresen. She performed services for Colonial also at that time.

CLAIRE M. MARQUISS

(Re-re-direct examination by Mr. Mulfinger)

Since September 1940, Colonial paid no part of the telephone bills except toll calls. Many other vouchers beside telephone bills were destroyed.

CLAIRE M. MARQUISS

(Re-re-cross examination by Mr. Herriott).

I didn't see the bills destroyed, but Mr. Darrow said he was destroying them because the files were becoming full and the old bills had no further value.

CLAIRE M. MARQUISS

(Cross-examination by Mr. Roberson)

I was in the office when Darrow was going through the files and removing bills. Darrow, so far as I know, did not state that there had been an account filed that would be supported by these bills.

I can't recall that I ever told him that from an account-

ant's viewpoint it might be well to keep the bills.

They were probably torn up and put in the wastebasket.

I had never prepared any account for Darrow.

I realized that with no account on file the destruction of

the bills would impede an audit.

I remember that I objected to his destroying bills for legal services but the others were simply the day to day bills.

It was my business to know where the bills were and

that they were in safekeeping.

172 Darrow destroyed the bills before Andrews began his work.

Darrow told Andrews he had destroyed some of the bills. We have some bills prior to September 1, 1940, but our records are incomplete.

There were some bills paid to Goldman's office by some

of the subsidiaries.

We still have all the cancelled checks.

The allocation of telephone charges was made on the basis of the number of telephones used by the trusts and by Colonial. I think the basis of division remained constant from month to month, except for toll charges.

I never had any particular authority. Miss Johnson was the office manager and she generally determined the way things were to be done. Miss Johnson may have made this basis of allocation for phone bills, or I may have done so. Darrow probably had nothing at all to do with it because he depended on Miss Johnson for practically all of such details.

Kreitzer was employed by Colonial at \$70 a month and ran such errands for Darrow as making bank deposits and

taking care of registered mail.

He was employed from about 1938 to 1941.

His work was occasional for Darrow. There were not many transactions in which Miss Johnson bought bonds for Mosser.

After Mosser was appointed, he bought some bonds but the market had tightened and very few were available. Mosser circularized bondholders in certain cases because the sinking fund provisions required that he do so to buy bonds.

173 Mr. Mosser's purchases were almost entirely related to the sinking fund operations. This was the same

type of operations Darrow carried on.

Darrow bought some bonds with funds of the trusts outside of the sinking fund operations. Mosser may have done so on one or two occasions.

In general, Mosser's operations have all been purchases .

by the companies of their own bonds.

Federal was formed in 1929 and National in 1930 and Kulp was endeavoring to persuade holders of the underlying bonds to exchange them for certificates of beneficial interest in the top trusts.

As far as I know, the Kulp-Andresen trust was formed for the benefit of all the holders of certificates of beneficial

interest.

Colonial bought some securities in the last three years. Colonial gave up its State license several years ago and hasn't done any business since that time. They have merely sold their own securities in liquidation.

Besides securities of the top trusts and subsidiaries, I

remember that Colonial dealt in railroad bonds.

I recall only North Western 4-34 bonds, but the trading was not great. Frequently, brokers in Chicago called Colonial to make inquiries about the securities of the

subsidiaries.

The "Chairman Account" represents the assets on hand at the time Darrow took over in a general operating account. When Andresen started operations, he succeeded to the same type of operations that Kulp had carried on and served as fiscal agent for the underlying companies. He took the money collected for rents paid the bill and had a current account on the books of the companies. That was true until he set up individual bank accounts for each company. The balance on hand at that time became the "Chairman Account". No company ever had any money.

It was all in Jacob Kulp & Company's account.

174 When Andresen took over, the Kulp and Company's balances were stopped at that point, but he continued

the same type of operations until September 1, 1934, when

he established individual accounts.

The residual debit and credit relationship of the subsidiaries to the "Chairman Account" was simply passed on by Andresen to Darrow in 1935.

The income from the several buildings was all put into one account and the expenses were paid out of this large

account.

CLAIRE M. MARQUISS

(Cross Examination by Mr. Goldman.)

I testified that Goldman's firm had submitted legal bills. I don't know of any however, that had not been approved by the Court, except a few services to Park View in the matter of collecting rent.

It was the individual companies that were involved in

the Goldman bills.

CLAIRE M. MARQUISS

(Recross Examination by Mr. Herriott.)

The bills were destroyed before the Andrew's investigation, so it was probably in the summer of 1941.

I believe I was able to find all bills I looked for of any

particular consequence.

I believe Darrow said he was destroying general operating expense bills of the subsidiaries and may be of the trusts. Office expense bills were about the only ones they had.

The books kept by Darrow did show all the expendi-

tures for the type of bills which he destroyed.

I have no knowledge of any checks being destroyed. Q. (Would you consider the allocation of the tele-

phone bills a fair and proper one?)

A. (I would.) The bills generally ran from 40 to 50 dollars. While Colonial was paying a portion of them, they averaged about \$60.

While Colonial was active, brokers contacted it regard-

ing the purchase and sale of bonds.

As a result of those contracts, bonds were sold to Darrow and this represents a substantial portion of the bonds he bought. Brokers who wanted to sell bonds would contact Colonial, find out the price and then the bonds would be sold to Darrow. Apparently, Colonial, was the source of market information or clearing house for the bonds of the subsidiaries.

The amounts that Jacob Kulp & Co. owed the various subsidiaries were valuable for income tax deductions and

were charged off eventually.

There was no "Chairman Account" when Andresen took over because the old account was Kulp's account. The old Kulp account was still on the ledger when Darrow took over, although it had gone through bankruptcy.

The trusts owed the "Chairman Account" money at the time Darrow was appointed trustee. When Darrow took over the securities and bank account and the "Chairman Account" were transferred to him.

There have been two distributions of dividends out of the "Chairman Account" to the subsidiaries which had an interest in it.

LOUIS GOLDMAN

(Direct Examination by Mr. Mulfinger.)

I am a lawyer. My firm represents Park View Manor, and we are doing some work for Station F and we have

done some work for Los Angeles.

I do not believe we ever represented Federal or National. We never represented Darrow except in one suit, now pending, wherein he is one of the trustees of Station F.

176 I never sent Max Levy a bill for legal services. In connection with the sale of securities in the State Court, May Levy may have sent our office a check which was used as part of the purchase payment for certain securities. I rendered him no bill for that. That was in the case of Seligman v. Jacob Kulp, et al., 35 S 11241, Superior Court of Cook County.

The estate in that case comprised a large amount of securities of the subsidiaries of the two top trusts. Prior to the sale, I had several conferences with Burke Wil-

liamson, attorney for Darrow.

We were interested in the reorganization of both top trusts and feared that the securities might come into unfriendly hands and that no proper plan could be effected Burke Williamson was concerned for the same reason because if unfriendly parties controlled the top trusts Darrow would probably have no further interest. Thus, we

wanted to procure a friendly purchaser.

Williamson stated that Darrow was in no position legally to make any bid for these securities. All three of us discussed the matter with Miss Johnson. After several talks we had with Miss Johnson and maybe Darrow (I am not sure whether he was present), it was suggested that she might be able to induce Joe Baumann who had an in-

terest, (to bid at the sale).

Finally, Miss Johnson called me up and said that if I could arrange for the purchase of the securities at not to exceed \$25,000; she would furnish the purchaser and the funds. I suggested that we engage Michael Tauber & Company to make the purchase for a brokerage commission. I was satisfied the purchaser would be friendly. It was following that arrangement that a sale was held. In addition to the purchaser, those present included Burke Williamson, myself, Mr. Biossat and Richard Levy of Michael Tauber & Co. All of the securities were purchased by Michael Tauber & Co. within the \$25,000 limit. Thereafter, I received several checks and turned them over to Mr. Levy. We met at the Continental Bank and Mr. Levy gave us the securities. At that time, there were present, the Master, Mr. Biossat, I believe Richard Levy,

Miss Johnson and myself.

Johnson, except the securities to be released to Miss Johnson, except the securities of the two top trusts, which I deposited in the vault of the Continental Bank. I don't remember if I represented anybody. I received no fee. I merely had the desire to see that the securities of the top trusts did not reach adverse parties; and when plans were effected, they provided for subordination of all those top trust securities that are now in my safety box. I am not the owner of those securities, but at the proper time they are to be used for the benefit of my clients, the petitioning creditors.

Darrow's attorney knew exactly what was being done

and the purpose thereof.

The money was advanced to me by Miss Johnson, or it

may be that part of it was advanced by Max Levy.

I don't know if Darrow contributed toward the fund used to buy the securities. His attorney said he could not legally buy them.

The sale took place in May of 1938. I would not turn those securities over to anyone until the right to possession is established in some legal proceeding or some man-

ner satisfactorily showing proper title.

Miss Johnson told me that Joe Baumann had advanced some of the money so that he had acquired the ownership of the securities I am holding. We have a record of the checks I received to purchase the securities on our books.

Nobody has been in the box at the Continer al and no-

body is going into the box.

The securities were sold in two blocks because Biossat said he was interested only in the securities of the two trusts.

The one block contained the bonds of the subsidiaries and the other had the securities of the two top trusts.

178 Hearing before Special Master Archie H. Cohen November 3, 1944.

LOUIS GOLDMAN

(Examination continued by Mr. Mulfinger.)

My records show the receipt and disbursement of \$24,-203.55.

There were perhaps 5, 6 or 7 bids at the sale.

The sale was held 5, 6 or 7 days prior to the order

confirming the sale.

My ledger shows under "exchange of checks" \$7,700 paid on May 6, 1938 to Michael Tauber & Co. and \$16,503.55 paid on May 19, 1938 to Michael Tauber & Co.

I received the checks, as I remember, from Miss John-

son but I don't recall whose checks they were.

Q. (Did you represent Max Levy in this transaction!)

A. I don't know.

Michael Tauber & Co. turned over the securities to me on the same day they were turned over to them at the Continental Bank. I have a receipt here dated May 19, 1938 from Master Bolton to Michael Tauber & Co. showing the payment of \$23,051.00 as the full purchase price for the securities.

I delivered my check for about \$16,000 to Michael Tauber & Co. at the time of the transfer in the Continental Bank.

I am not mistaken, I agreed to send them a check on

account when the order of sale was confirmed.

179 No one else has acess to that box, so far as I know.

It did not make any difference to me or the parties who had authorized me to purchase the securities for \$25,000 whether they were purchased in one lot or two. We were interested in obtaining all the securities for a certain total sum.

I don't know who the legal or equitable owners are of the securities in that box, but I have an opinion in that matter.

The block of bonds in Lot 1 was turned over to Miss Johnson not by me but by Michael Tauber & Co. directly.

I knew she was an employee of the trustee.

LOUIS GOLDMAN

(Direct Examination by Mr. Roberson).

It was Miss Johnson who secured the funds with which

to make the purchase of these securities.

You (Roberson) previously pointed out to me that some funds had been advanced by Max Levy. I had been under the impression that part of the money had come from Baumann. You further discussed with me statements in the Andrew's report that according to the books of Colonial a payment of \$13,853.55 to Goldman, Allshouse and Healy was charged to the Max Levy special account; and that certain of the bonds in Lot 1 were subsequently sold to Darrow for \$12,447.55, although the entire Lot 1 at the judicial sale brought \$8,050.

Andrews further states that Darrow made payment by

check of \$12,447.55 on May 16, 1938.

Biossat bid \$15,000 because he had a fee of \$13,500

coming and the Master was entitled to \$1,500.

and sold for \$8,050. Block 2 had shares of beneficial interest of Federal in the amount of \$623,580 and shares of National in the amount of \$269,040 and \$286,100 6½% Series AV bonds of Federal. Block 2 was sold to Michael Tauber & Co. for \$15,001.

The sale occurred on May 6, 7 or 8, 1938 and was confirmed on May 16, 1938. The securities were delivered to

Michael Tauber & Co on May 19, 1938.

Master Bolton gave a receipt to Michael Tauber & Co. for \$23,051, which was the full purchase price of all the securities.

Master Bolton first delivered the securities to Mr. Levy of Michael Tauber & Co. and took his check and then Levy, at my direction, turned over the securities in Block 1 to Miss Johnson and turned over to me the securities in

Block 2, which I put in the vault.

Apart from a/conversation with you (Roberson) no one at any time has suggested that I deliver the securities over to anyone. We proposed to have the securities voted for a plan that the committee representing the bondholders and beneficial certificate holders thought was fair and feasible.

That pretty nearly gave us control of both these cases,

and in one case it does actually give us control.

It was not my idea at all times to subordinate the securities. That was a subsequent development. I have no control in the subordination matter, but I thought I had control in voting. I do not know who would vote the securities.

If a time had been fixed for filing claims, I might have filed a claim as holder of the securities on behalf of the owner. As a practical proposition, I do not think it would be necessary even to cast a vote for a plan with the securities. If they were not voted against the plan, we would still have more than sufficient to put over any plan.

Miss Johnson never made any demand that I turn over the securities to her, nor did Darrow, nor anyone else, except possibly your (Roberson's) office. There was

a payment to my firm on May 19, 1938 of \$13,853.55.

My check to Michael Tauber & Co. was for \$16,503.55. The difference of \$2,650 was represented by a check either of Miss Johnson or Max Levy. Miss Johnson never told

me the source of the funds. The commission to Michael Tauber & Co. was 5% of . the purchase price of \$23,051 or \$1,152.55. My records don't show from whom the check of \$2,650 was received, but this morning Miss Johnson told me it came from Max Levy. My records merely show an exchange of checks. aggregating \$16,503.55.

I have never bought securities in the top trusts, but I have traded in the securities of the subsidiaries after they

were reorganized.

LOUIS GOLDMAN

(Direct examination by Mr, Courshon)

It is my opinion that those securities in the box belong to the Baumann interests in New York.

I tried to enjoin proceedings in the Seligman case but

Judge Holly held against me.

We thought the Federal Court could make a determination and construe the trust in the Seligman suit and determine what should be done with the securities.

I believe my first dealing with Colonial occurred in 1938

or 1939.

I assumed that the officers and directors of Colonial were Miss Johnson and Mr. Kulp; and I knew that Miss Johnson was employed by Darrow, as trustee. I dealt with

her as agent of Colonial.

I may have known that the \$13,853.55 came from

Colonial. The same is true of the \$7,700 check.

I did not have any conversation with Darrow regarding the securities prior to the sale, but I did talk with his

attorney, Mr. Williamson.

I am not acquainted with the statement in the Andrew's report on Page 5 that all but \$32,100 of the \$199,000 bonds bought by Michael Tauber & Co. for \$8,050 found their way to Levy, who realized \$22,912 therefrom. We participated in the reorganization of some of the subsidiaries of Federal: Ferry Station was one.

In each case we represented bondholders' committees or petitioning creditors. We may have been in the Roseland case. I do not believe we were in the U. S. Building case. I think those are the only ones of the subsidiaries of Federal in which we had an interest but we had many in National.

In this case, I believe the petitioning creditors whom I

represented have claims based on Federal bonds.

LOUIS GOLDMAN

(Redirect examination by Mr. Mulfinger)

In my opinion, the securities were not worth the amount paid for them at the judicial sale.

Mr. Biossat's bid of \$15,000 for the securities of the top trusts was far more than the market value of them.

This morning when I talked to Myrtle Johnson I asked her whose checks made up the \$16,503.55, which cleared through my office on May 19, 1938. She told me that one of them for \$13,000 was Colonial's check and the other was Max Levy's. She did not tell me that on May 18, 1938, Darrow had deposited \$12,447.55 in the Max Levy . special account.

183 LOUIS GOLDMAN

(Recross examination by Mr. Herriott). _

The \$25,000 total price I was authorized to pay for the securities was to include the price and the commission to Michael Tauber & Co. We never allocated the amount to be bid for Group 1 or Group 2.

The parties advancing the money were willing to pay

\$25,000 for "the whole ball of wax".

I found Miss Johnson very familiar with every detail of every subsidiary.

Hearing Before Special Master Archie H. Cohen November 20, 1944

MYRTLE JOHNSON

(Direct examination by Mr. Mulfinger)

I live at 7012 South Shore Drive. I have been associated with Darrow in the operation of five properties, of some of which I am an officer and director. I am secretary of Colonial. I was previously associated with Jacob Kulp in the erection of thirty properties throughout the United States together with the distribution of the securities of said properties. Most of these were post office sites. All of the securities were sold through our office.

Some were distributed through other houses than Jacob Kulp & Co. I first became associated with Kulp thirtyfour years ago. The office was then at 35th Street and Iron Street. He opened the downtown office in 1921 at 105 West Monroe Street, which was shortly after he started the building projects. I continued my association

with Mr. Kulp until 1935.

The first building was 22nd Street Station. I participated actually in that transaction and the subsequent ones." I was secretary and director of Jacob Kulp & Co. I sold the securities, handled payment of architect's certificates

and generally supervised all the work in the organization.

Colonial was organized in 1931.

It is an Illinois corporation. The stockholders were Jacob and Lee Kulp and myself and we still own all of the stock except for some additional stock issued to Mrs.

Kulp.

1,400 shares were issued to Jacob Kulp, 300 to Lee Kulp and 300 to me. 2,000 additional shares have been issued to Mrs. Hattye Kulp. The corporation has not legally been dissolved. When Darrow was appointed trustee of National and Federal, I was in the employ of Colonial and I was working for Mr. Andresen. Between 1930 and 1935, there was considerable dealing in the bonds of the subsidiaries.

I handled some of the sales, but we also had a sales organization. Prior to Mosser's appointment, we had numerous inquiries from bond houses concerning

the market value of these securities.

Jacob Kulp & Co. was synonymous with post office building bonds and the brokers would come to us with their inquiries. I would quote what I believed to be the then market price. After Darrow's appointment, I did a great deal of work in the reorganization of the subsidiaries in connection with the leasing of the properties.

I handled any inquiries that came in as well as com-

plaints.

I had general supervision of the office and acted as Darrow's assistant in the various matters that came up.

While Darrow was trustee, in my duties in the office I was participating in the buying and selling of bonds of

the subsidiaries.

I do not think I kept Darrow informed as to all my activities. I negotiated purchases and sales of some bonds and securities without telling Darrow. As far as I remember, there were no other matters that I took care of without disclosing the nature of the transaction to Darrow. Darrow was at the office daily. He never gave me the authority to buy and sell bonds, but it was implied.

Where purchases or sales affected him, I reported to him all such transactions and he would not remonstrate with me because I had acted on my own initiative. That

is what I mean by implied authority.

Mr. Kulp was there during all the period Darrow was

trustee. My salary was \$250 a month from Darrow. It was raised to \$275 a month about a year and a half ago.

In 1935 and up to October 15, 1936, Kulp received no salary; thereafter, he received \$300 a month from Federal to and including October 1943. He received no other salary. He did obtain an apartment in Park View Manor as a result of the reorganization in 1935. From 1935 to the resignation of Darrow, Darrow was managing that build-

ing. Kulp occupied an apartment from the time the

building was completed. That was for part of the services he rendered to Darrow. The rental value of the apartment was about \$140 a month. Kulp's salary and my salary were paid entirely by Federal. Later on the office expenses, including the salaries, were apportioned between the two trusts.

During my employment by Darrow, I personally bought bonds of the subsidiaries. I do not keep personal books of

account, but I have memoranda.

I have an account with Colonial listed under my name. I also used the account known as the Max Levy special account in connection with some securities that were purchased.

That was my account in so far as I handled all the funds in connection with it. Darrow used the telephone number Dearborn 8666, for which Colonial held the contract.

When we moved from Mosser's office, we took that telephone with us. I know about the Seligman v. Jacob Kulp case.

I first learned about it in 1934 or 1935 when Kulp was

served with a summons.

ALEX BRIGHT.

(Direct Examination by Mr. Mulfinger.)

I am a deputy clerk of the Superior Court of Cook County. Pursuant to a subpoena, I produced the files in the case of Seligman v. Kulp-35-S-11241.

(A copy of the public notice of sale was marked Mosser's Exhibit No. 2 for identification and was received in evi-

dence.)

187 MYRTLE JOHNSON

(Examination by Mr. Mu.finger)

Darrow didn't testify in the Seligman case, so far as I recall. I was at the sale and Michael Tauber & Co. was the successful bidder. I had a discussion about the sale with

Goldman prior to its taking place.

I also discussed it with Kulp and Harrington, our attorney. I also discussed the matter of raising some funds with Levy. I borrowed \$10,000 from Levy. Michael Tauber & Co, was acting for a group of people. Goldman simply handled the money.

I gave him all the money-\$24,203.55. I borrowed from Levy \$10,000, which was later repaid. Goldman received a check of \$7,700 from Levy under date of May 9, 1938 and a check of \$2,300 on May 16, 1938, also from Levy. I also received a check from Colonial for \$14,203.55 being their check No. 9271, dated May 19, 1938, payable to Goldman, Allshouse & Healy drawn on the Continental Bank.

Of the \$14,203.55, the sum of \$13,853.55 passed through the Max Levy special account and was sent to Goldman's

firm.

That was part of the check of \$14,203.55. The difference was charged to George Peterson's account. I borrowed the \$250 from him, but he was subsequently repaid. He is my uncle. The total amount of funds I furnished to Goldman was \$24,203.55. \$12,447.55 was received from Darrow in the form of a number of checks. Within the last few years, some time after the sale, Darrow prepared for me a makeup of this item of \$12,447.55.

This was part of the \$14,203.55. I instructed Goldman as to the use of the money. On May 19, 1938, I met Goldman at the Continental Bank vaults. The sale was confirmed on

the 16th of May, I believe.

The sale took place on May 6th. Slightly in excess of \$8,000 was bid for Lot 1. Certain of the securities were delivered to me at that time. They were the securities of

the underlying subsidiaries. I delivered to Darrow part of the securities overed by a memorandum I have with me and placed the balance in the safety box of Colonial. Those were the securities that were purchased with the \$12,000 he gave me.

I don't think there was any discussion with Darrow about the sale after it took place. There were discussions with Darrow at various times prior to the sale concerning that block of securities. Darrow had a complete record of the securities. At the time he gave me the \$12,447.55, the sale had been confirmed and we made arrangements for him to receive these securities.

The sale had been confirmed but the money had not been

paid.

I did not inform Goldman who the contributors of those

The aggregate face amount of the securities in Lot 1 totaled \$199,000.

MYRTLE JOHNSON

(Direct examination of Mr. Roberson)

My sister, Gertrude Johnson, my mother, Emma Johnson, my brother, Gilbert Johnson, my sister, Valerye Aldridge, my uncle, George Peterson and my sister-in-law, Frances Hackett Johnson, wife of Gilbert, traded in securities of the top trusts and the subsidiaries while Darrow was trustee. However, Frances bought her bonds before she married my brother, but she was then a close friend of mine.

I had not arranged with Darrow prior to the sale in the Seligman case to take over any of the securities or the

prices therefor.

These arrangements were not made until after the sale had been held. Originally, I did not expect Darrow to participate at all. I had arranged with Baumann to borrow the \$15,000 from him and that together with \$10,000 from Mr. Levy was the top figure we were going to bid. After the sale had been held, I talked the matter over with Darrow and he decided he ought to participate. I do not be-

lieve I stated what each lot sold for: I do not know that I told him how I was raising the

\$24,203.55. Darrow selected from the list of securities in Lot 1 the ones he wanted. He determined the prices he was to pay and in most instances that represented about the prices at which securities were selling.

He knew these securities were paid of the Seligman group and that they had been purchased by Michael Tauber

& Co. at that sale.

I am not certain that he knew the connection of Mr. Goldman with it. I didn't tell him what had been paid for these securities and he did not inquire. Jacob Kulp and I discussed these securities a number of times.

I believe I told Darrow I was issuing a check for the balance of the cost after deducting the money that had already been sent to Goldman's office. Darrow advanced the checks totalling \$12,447.55 on May 16, 1938, and the amount was entered on Colonial's books on May 18, 1938.

There were fifteen checks because there were fifteen different items but they came from eight sources, as follows:

\$24,500 in Station D bonds to Federal for \$735.

\$25,200 in Ferry Station bonds (2nd) to Federal for \$126.

\$2,000 in Irving Park bonds (2nd) to Federal for \$300. \$300 in Reseland bonds to Federal for \$9.00. \$5,000 in United States Building bonds (2nd) to U.S.

\$5,000 in United States Building bonds (2nd) to U. S. for \$500.

\$6,000 in 22nd Street Station bonds to Federal for \$1,800. \$1,000 in 22nd Street Station bonds to 22nd Street for

\$300. \$3.000 in Villa Building bonds to Federal for \$95.55.

\$3,800 in Ogden Park bonds to Ogden Park for \$1,140. \$8,500 in 6929 North Clark Street bonds by 6929 North

Clark for \$2,975.

190 \$2,000 in Windsor Park bonds to National for \$400. \$9,400 in Windsor Park bonds to Chairman Account for \$1,880.

\$5,000 in Windsor Park bonds by Windsor Park for \$1,000.

\$32,900 in Park View Class "B" preferred 2nd mortgage bonds to National for \$1,157.

\$100.00 in North Halsted bonds to North Halsted for \$30.00.

The total of the purchase price was \$12,447.55 and checks from Darrow were dated May 16, 1938, except North Halsted which was dated May 18, 1938.

I paid Goldman \$14,203.55.
(Receipt dated May 19, 1938 by Michael Tauber & Co.

for \$24,203.55 to Go. Junn marked S.E.C. Exhibit 1, for identification.)

Goldman and Richard Levelwere present when I received the receipt at the Continent Bank.

Goldman took the securities in Lot 2 and I took the securities in Lot 1.

Darrow may have made the checks out on the 16th after the sale had been approved but they were not delivered until the 18th because that is the date they were deposited.

I could not have given the proceeds of the Darrow's checks to Goldman prior to the 19th because Colonial's check is dated the 19th. Darrow and I agreed on the prices. on or before the 16th because that is the date of the checks. At any rate, it would be some time between the sale on May 6th and May 16th. I had told Darrow that Tauber's office had purchased the block of securities on my behalf.

I don't think Darrow knew the securities were handled on

Colonial's books in the name of Max Levy.

I just used the name of Max Levy to designate it as an account because that was one of the sources from which I received the funds. Max Levy never had any interest in these securities nor a lien for the repayment of his \$10,000. He had no note for the \$10,000. He made his two checks to Goldman's firm. I repaid the \$10,-000 through the Max Levy account through Colonial within approximately a year.

I believe Levy made a bank loan for \$11,000 on his own collateral and issued his checks to Goldman's firm for \$7,700 and \$2,300. For this loan, Levy received interest at the bank rate and \$6,000 of Station F second mortgage

bonds, which he still holds.

This money was loaned to Kulp and me individually. According, to my record it was repaid between June 22, 1938 and July 8, 1939. The \$6,000 in Station F second mortgage bonds had been part of Lot 1.

Mr. Goldman was agent for Kulp and me in handling

this transaction.

Hattye J. Kulp holds a power of attorney on the safety box in which Goldman placed the securities in Lot 2,

She would have access to the box. I received one of the keys to the box the day we were over at the Continental vaults.

I turned it over to Mr. Kulp.

Darrow and I may have discussed the securities in Lot

2 many times. I left the securities in Goldman's vault because he was working on the reorganization of the trusts and like ourselves was interested in not letting the securities reach unfriendly hands. The reason for having the securities in Mrs. Kulp's control, was that she would have some assurance that they would be available to protect the loans made to Jacob Kulp by Baumann and his step-daughter who were relatives of Mrs. Kulp. The bonds are bearer instruments but the certificates of beneficial interest are in Kulp's name and endorsed in blank.

A few of the securities may be in my name or Lee Kulp's name. I doubt if Goldman has any interest in them. Those having interest are the Baumanns, Kulp and myself. Mrs. Kulp has a power of attorney to enter the box; and if she wanted to deliver the securities to the

Baumanns she could do so.

This would be as additional collateral. Baumann did not advance any money to purchase the securities. However, he later acquired some in the name of his daughter, Jane Baumann and paid Colonial Securities for them. The payments which Colonial made to Max Levy on the \$10,000 loan were derived from the sale of the securities in Lot 1.

The total of \$24,203.55, which was the cost of the bonds, came from the sale of part of the securities comprising

Lot 1

As to the removal of receipts from the files, I have the records pertaining to Park View, Cranden, Windsor, Rogers Park and I think has Angeles back to 1936 or 1937.

I think the others are up on top of the vault. I think what Darrow destroyed were old receipts, especially of Jacob Kulp & Co. This occurred about the summer of 1940.

I believe his cut-off date was around 1937. However, we have all the cancelled checks. I do not know why Darrow selected 1937 as a cut-off date instead of 1935, the year of his appointment. I told him we ought to keep the bills for a few years prior to that time.

MYRTLE JOHNSON

(Cross Examination by Mr. Herriott.)

We ceased paying rent on the Colonial portion of the office in April 1947 but the wall was put up in January 1943.

I have some telephone bills prior to September 1941.

193 Hearing before Special Master Archie H. Cohen

January 3, 1945.

EDWARD A. KOHN

(Direct examination by Mr. Mulfinger)

I am in the casualty department of L. A. Rose & Company, agents for insurance companies. I do the underwriting and placing of casualty insurance business.

I am not familiar with Jacob Kulp broker account so far as the bookkeeping is concerned. Our chief bookkeeper is Joanna Stark.

EDWARD A. KOHN

(Direct Examination by Mr. Roberson.)

We keep our records for a period of four years. For anything prior to that time, we would have to refer to the companies.

MYRTLE JOHNSON

(Further Examination by Mr. Roberson.)

(Schedule showing selling prices of securities in Lot 1 not delivered to Darrow was marked S.E.C. Exhibit No. 2 for id.)

I prepared S.E.C. Exhibit No. 2 for id. It shows the selling prices of the securities in Lot 1 which were not delivered to Darrow. The total par value is \$70,300 and the proceeds from the sale of these amounted to \$19,-457.50.

The securities in Lot 1 not shown in this exhibit were sold to Darrow. He paid \$12,447.55 for \$127,700 in par value of securities.

It may be that the total par value of Lot 1 was \$198,-

194 Lot 2 was composed of \$286,100 Federal 6½% collateral trust bonds, 62,358 shares of beneficial interest and 10,761 3/5ths shares of National. Lot 2 at the judicial sale brought \$15,001.

I recall the two lawsuits against Jacob Kulp, Lee Kulp and myself in one of which Quincy Station was the plaintiff and in the other of which Marie H. Boord was the plaintiff.

I believe Joseph T. Harrington represented the defendants. I think I was a member of the Board of Directors of Quincy in 1930. I do not believe I was a member of the first Board, I believe Quincy was organized in 1925 or 1926.

If I was not a member of the first Board, I became a member of the Board shortly after organization. I was on the Board until July 1933. Jacob Kulp was on the Board with me all of the time and Lee Kulp part of the time. Federal owned all the stock of Quincy.

I handled the details of Quincy under Kulp, Andresen and Darrow. I handled the records in connection with operations, rentals, disbursements, retirement of bonds,

etc.

Quincy was formed about January 1926. I believe among its assets was an account receivable against Jacob Kulp

for \$100,000.

That was an item which was charged to the credit balance of Quincy on the books of Jacob Kulp & Co." We had set up a number of items charged to him for various expenses in connection with the post office properties. It remained on the books of Jacob Kulp & Ch. as a credit and the \$100,000 was charged against that balance. This item was placed on the books about 1930. The consideration for the \$100,000 arose as follows: Kulp owned a onequarter interest in the property and he turned over that one-quarter interest, together with the three-quarters interest of other people which he acquired, to Quincy and he received only the stock of Quincy, whereas he paid \$100,000 to Bertram W. Frank for one-fourth interest and \$106,500 to Harry M. Smith for one-fourth interest and \$152,000 to the Investors' Company for their onequarter interest. These parties owned the real estate with the improvements. They sold the three-quarter interest to Kulp and the building was erected under his supervision and financed by him through the Madison-

Kedzie Bank. Kulp paid for the three-fourths interest in cash. Kulp then conveyed the entire real estate to Quincy.

On December 10, 1925, he made a written offer to Quincy. He stated that he owned a one-quarter interest in the property under lease to the government at \$125,000 annually which had been reduced to \$123,500 and stated that he was negotiating for the other three-quarters interest and would convey all of his interest to Quincy subject to a mortgage of \$590,000 in consideration of 800 shares of Qunicy stock and that Quincy delivered to him \$1,100,000 first mortgage bonds and \$100,000 second mortgage bonds; and he agreed to sell the first mortgage bonds at 921% and the second mortgage bonds at the highest possible price. Out of the proceeds of such sales, he agreed to require the remaining three-quarter interest to pay all expenses. of the bond issues and to turn over any balance of proceeds of bonds to Quincy.

The opening journal entries of Quincy show as assets, among other things, land \$606,500; building \$294,700; furniture and fixtures \$70,400 and totalling \$1,070,708.35. The principal liabilities were first mortgage bonds, \$590,-Surplus, \$100,000; accounts payable for the property to Bertram W. Frank, \$100,000; Harry-M. Smith, \$100,000; Investors' Company, \$152,000; capital stock,

\$5.000.

Part of my answer was taken from the 1925 balance

sheet of Quincy.

Mr. Kulp had previously subscribed for 200 shares of Quincy stock and that with the 800 shares additional would make 1,000 shares. I would think that was the total issue, except for one or two qualifying shares in my name and some other person's name. .

Harry M. Smith and Mr. Frank are members of the Board of Trade; and the Investors' Company was operated in connection with the Madison-Kedzie Bank, of

which bank Mr. Kulp had been vice-president.

The building was completed May 16, 1941. Kulp in conjunction with Smith, Frank and the Investors' Company purchased the land and financed

the construction of the building. About December 5, 1925, Kulp paid the Investors' Company \$10,000 for an option on their interest in the property and the balance of \$142,000 was paid to the Chicago

Title & Trust Company on January 11, 1926.

For the price paid here, Frank, Smith and the Investors' Company turned over to Kulp their interest in Station "D" as well as Quiney, the parties owned the same fractional interest in the two properties.

The \$100,000 account receivable from Kulp arose in 1930.

There had been various advances charged to Kulp on the books of Jacob Kulp & Co., aggregating \$206,179.23.

Of this sum \$100,000 of it was loaned or advanced to

him out of funds of Quincy.

Quincy had more than \$100,000 on deposit with Jacob Kulp & Co., and its balance was charged against Quincy. I do not believe the \$100,000 account receivable was owing · from Kulp personally,

MYRTLE JOHNSON

(Direct Examination by Mr. Courshon).

The old bonds of Quincy were called and new bonds issued, and Mr. Kulp never received any consideration.

MYRTLE JOHNSON

(Redirect Examination by Mr. Mulfinger).

Reverting to the Seligman case, there were two checks by Levy totalling \$10,000 and I gave Goldman in addition Colonial's check for \$14,203.55.

197 MYRTLE JOHNSON

(Redirect Examination by Mr. Roberson).

(The original S.E.C. Exhibit 1 was withdrawn and a copy was marked S.E.C Exhibit 1 for identification. The copy of S.E.C. Exhibit 1 is a true and correct one.)

The original was signed by Richard Levy of Michael Tauber & Company. The body of the original is in the handwriting of Goldman.

It is signed by Richard Levy. (Leave was given to withdraw the original and the copy was received in evidence as S.E.C. Exhibit 1.)

(S.E.C. Exhibit 2 for identification was received in evidence.)

198 Hearing before Special Master Archie H. Cohen January 12, 1945

CHARLES H. TILLMAN

(Direct examination by Mr. Mulfinger)

I live at Ingleside, Illinois. I am an insurance agent and

a member of the firm of L. A. Rose & Co.

It is a partnership made up of L. A. Rose and myself at 175 West Jackson. We operate a general insurance agency. We have had dealings with Jacob Kulp.

In our dealings, he acted as the broker. We did a gen-

eral insurance business with Jacob Kulp.

When insurance is sold, we make out a bill and the original copy goes with the policy while the duplicate acts as our ledger.

We keep copies of bills in our ledger for about three years. We keep policy records three years after expira-

tion of the policy.

(Copy of a statement prepared in the witness's office

was marked Trustee's Exhibit 4 for identification,)

(A bill prepared in his office was marked Trustee's Exhibit 5 for identification.)

(A credit memorandum for suspension endorsement was

marked Trustee's Exhibit 6 for identification.)

Kulp appears to be the broker in the particular transaction for which said bill was sent. A pencil notation on Exhibit 5 for identification appears to represent the commission.

The pencil notation reads "\$193.99". Trustee's Exhibit 6 for identification is a credit memorandum for suspension endorsement in connection with boiler insurance. We

199 used that type of memorandum to give credit to cus-

tomers, through brokers, where insurance was cancelled or amended. Trustee's Exhibit 4 for identification appears to be a commission statement. Apparently, we received some checks directly and paid Kulp the commission.

The statement to the assured did not contain a reference to the commission. From the bills I can readily tell you the commissions paid. All of those bills have a code on them.

On Trustee's Exhibit 5 for identification, you use the number 3 in quotes, which means 15% commission. Each particular digit is equivalent to 5% and each one-half is equivalent to $2\frac{1}{2}$ %.

CHARLES H. TILLMANN

(Direct examination by Mr. Courshon)

Commissions were paid either by check or by allowing credit on some open account items. The premium from the subsidiaries came to us from Kulp, as a broker

We may have received some checks from Darrow, as

trustee.

We check each broker every year to see whether he has his license. We found no wears where Kulp had no license except the present year.

CHARLES H. TILLMANN

(Cross examination by Mr. Herriott)

On all the insurance he wrote through our company, Kulp was paid a commission. He did a general insurance business with us for over twenty years, even before he was in the post office bonds business. He still writes insurance through our office.

He wrote a full general line of insurance.

200 There has never been a period of time when the buildings owned by the two trusts would not have some of their insurance written by Kulp through L. A. Rose & Co.

Trustee's Exhibit 4 for identification, is apparently a commission statement between Jacob Kulp and L. A. Rose & Co. The amounts of commission which appear to have been paid according to Trustee's Exhibit 4 were at the usual and customary rates we would have paid to any broker.

Trustee's Exhibit 6 for identification is a credit memorandum of L. A. Rose & Co. Evidently, the boilers were being put out of service and Kulp suspended the insurance during the time they were laid up and we allowed a return premium of \$80. We paid many thousands of dollars worth of losses on buildings owned by the two trusts.

The premiums for the buildings of the two trusts were considerably reduced through the efforts of Kulp along

with our engineer through eliminating hazards.





CHARLES H. TILLMANN

(Redirect examination by Mr. Mulfinger)

I believe we received checks of the different building corporations in payment of premiums.

CHARLES H. TILLMANN

(Redirect examination by Mr. Courshon)

The policy, when written, would go to the broker.

CHARLES H. TILLMANN

(Redirect examination by Mr. Mulfinger)

201 Ordinarily, we do not have any contact with the assured.

JACOB KULP

(Direct examination by Mr. Mulfinger)

I live at 6858 South Shore Drive. I am an insurance broker, manage buildings and do some work for the Empire Cooler Company. At present I am associated with Darrow and manage buildings for him.

The only service I rendered Darrow is the management of buildings. I am personally managing for him Park View Manor, Crandon, Windsor Park, Rogers Park, Los Angeles and New York Station "F".

I have been in business in Chicago since 1920. I originally caused to be erected the various post office buildings owned by the subsidiaries, which were 27 in number. I was employed by Darrow after his appointment and continued in his employ until he resigned as trustee. I had been an officer of the Madison-Kedzie Bank. I caused the securities of various post office buildings to be placed on the market.

About 1929 or 1930, I caused the creation of two trusts. In exchange for the deposit of stock of the subsidiaries, I received securities of the top trusts. I received 300 bonds of Federal plus a certain amount of stock of National and Federal.

I subsequently turned those securities over to Andresen plus a lot of other securities.

When Darrow was appointed trustee, I was living at 6858 South Shore Drive, in one of the subsidiary buildings.

That is the Park View Manor building. I am still living there in the same apartment. I rendered service for Darrow without compensation for about a year. Then, I received a salary of \$300 a month. I never paid rent for the apartment and probably received the apartment as part of my consideration for services.

202 I received gas for my automobile to travel to the buildings, but obtained no money for repairs. My

duties were to look after the buildings.

I managed 27 buildings for the trusts. I negotiated

most of the leases.

I consulted Darrow concerning everything. My salary was never increased. The fair rental of my apartment was about \$135 to \$140 a month.

I had no written agreement with Darrow but simply an understanding that I would give as much time as was necessary to the buildings. When I was out of the city, I gave him all of my time.

I also conducted an insurance brokerage. I conducted it from my office at the Colonial Securities Company.

I continued my insurance business after Colonial gave up its office.

After Colonial gave up its office, we were with Darrow for about a year before he resigned; and we were with

Mosser probably a year after he took over.

There must have been some arrangement about rent, but I don't know what it was unless Miss Johnson would know. I never had any understanding with Darrow about the apartment or anything else except the salary, but I had the use of the apartment since the building was erected. I think the plan made provisions for my use of the apartment.

My salary continued some time after Mosser was there. I think he paid me a salary for a time. I had no conversation with Darrow about my employment. I found out I was on the payroll when I began receiving a credit

of a certain amount of money per month.

203 The only thing that was said to me was that I would receive \$300 a month salary.

The stock of Colonial, I believe, was owned by myself, my wife, and Miss Johnson and my son. I caused Colonial to be organized and it is still in existence although we haven't been doing business for some years. Dearborn 8666 has been the telephone number of Jacob Kulp & Co. and Colonial for the last twenty years.

When Darrow resigned, I-moved with him and took the

telephone number.

204 Hearing Before Special Master Archie H. Cohen January 29, 1945

MYRTLE JOHNSON

(Further examination by Mr. Mulfinger)

I have prepared a tabulation of various transactions between Colonial and Darrow, as trustee, and between myself and the other people we discussed at the last hearing and Darrow.

MYRTLE JOHNSON

(Further direct examination by Mr. Roberson

S.E.C. Exhibit 2 shows in the second column on the left hand side the names of the individuals who purchased the securities in Lot 1 not delivered to Durrow. The column on the right hand side shows the amounts which they paid. I sold these securities to these various purchasers. Sales were all made by Colonial Securities. Company and I negotiated them.

The total realized on these sales to others than Darrow was \$19,457.50. There was \$6,000 of Station "F" bonds given to Max Levy for his loan. As I remember, Station

"F" bonds were selling at 30 at that time.

Thus, the value of the securities given to Levy was \$1,800. Some of these securities were later purchased by Darrow.

MYRTLE JOHNSON

(Further examination by Mr. Roberson)

In the case of each sale shown on S.E.C. Exhibit 2, the bonds were actually delivered to the purchaser. I gave George Peterson \$4,000 in Crandon bonds in payment of the \$350 loan made to complete the sale in the Seligman case.

JACOB KULP

(Further examination by Mr. Roberson)

I was the principal stockholder of Quincy.

205 I was director of Quincy on November 22, 1930, when the \$100,000 dividend was declared, which was payable on January 2, 1941. I think the other directors

were Miss Johnson and Lee Kulp.

The only thing I recall about the dividend is that it was a bookkeeping entry which Miss Johnson worked out with our attorneys. I recall having been indebted to some of the subsidiaries of Federal. In the case of Quincy Station, I/probably owned the stock and in Jacob Kulp & Co.

I individually did not owe anything to Quincy Station.

Quincy Station owed me.

I received the stock of Quincy when it was incorporated, but I gave the stock up when I organized Federal. In exchange I received a certain amount of securities of Federal. When this dividend was declared, I presumed I owned the stock of Quincy. It was my understanding that the dividend was to be simply a bookkeeping entry.

One of the reasons Federal was organized was because Quincy made money and some other stations couldn't pay interest and we had to take from one to take care of the others, so we took the good apples and put them in with

the bad apples to organize Federal.

206 Hearing Before Special Master Archie H. Cohen February 21, 1945

(Report of Frederick B. Andrews regarding certain transactions and securities issued by Federal and its subsidiaries dated June 8, 1942, was marked S.E.C. Exhibit 3 for identification.)

(Report of Frederick B. Andrews regarding certain transactions of securities issued by National and its subsidiaries dated June 24, 1942, was marked S.E.C. Exhibit

4 for identification.)

(S.E.C. Exhibits 3 and 4 received in evidence.)

(List produced by Miss Johnson entitled "Securities Purchased by Paul E. Darrow either for Federal Facilities Realty Trust or Underlying Company from Colonial Securities Company and Myrtle Johnson" and consisting of five pages was marked Trustee's Exhibits 7-A to 7-E, inclusive for identification.)

(A list consisting of three pages prepared by Miss Johnson and entitled "Securities Purchased by Paul E. Darrow either for National Realty Trust or Underlying Company from Colonial Securities Company" was marked Trustee's Exhibit 8-A, 8-B, and 8-C for identification.)

MYRTLE JOHNSON

(Further examination by Mr. Roberson)

I prepared Trustee's Exhibits 7 and 8; they show transactions where Colonial or I was the seller and Darrow or one of the underlying companies was purchaser. So far as I know, the lists are true and complete. I obtained the information from the books of Colonial and my personal records.

Andrews had access to the records of Colonial. These exhibits do not include purchases by the Darrow Chairman Account. These lists do not include purchases by Darrow of the securities in Lot 1 sold in the Seiigman case.

Trustee's Exhibit 8 includes certain sales which I made to Darrow and the heading of that exhibit

should include my name as well as Colonial's.

Looking at the bottom of Trustee's Exhibit 7-B and the top of 7-C, the bond under date of March 5, 1937 came due January 1, 1937. At maturity, the bond was owned by Mr. Landau. The trust indenture stated that no action could be taken on bonds until sixty days after maturity. At the time the bond became due, I accepted it from Mr. Landau and exchanged it for a bond maturing in 1947 which I had previously acquired at 40. I held his bond until March 5, 1937, after which date it was paid. I received the face amount of that bond obtained from Landau. There were a total of five bonds that were handled in this manner, four at the bettom of Exhibit 7-B and one on 7-C.

I received the par value of the bond with interest in

all five instances.

I advised these people that if they were desirous of securing their cash on the bonds they received in exchange I would cash the bonds for them at par prior to maturity.

I did not extend the excess of purchase price to the right hand column in connection with these exchanged

bonds shown in Trustee's Exhibits 7-B and 7-C because

I did not consider them sales.

I never accounted to Darrow for any of the profits made on any of these transactions in which I was indi-

vidually concerned, nor did Colonial.

There were instances where bonds purchased by the issuing corporation had been exchanged for other bonds. Records of these exchanges were not made to my knowledge.

I would say that there were not more than half a dozen instances in which bonds of one denomination were ex-

changed for bonds of another.

208 The explanation of the same bond being bought by an issuing subsidiary at two different times from Colonial without any intermediate resale might be that the subsidiary had exchanged the bond with some third party without a record being kept thereof.

Or there might have been an error made in the number. When bonds were purchased for sinking fund purposes, they were cancelled immediately; but if bonds were bought to be held in the treasury they were held there. Bonds bought by Darrow, as trustee, were held in the treasury. Bonds bought by Postal were bought for sinking fund purposes and were cancelled immediately.

MYRTLE JOHNSON

209 (Redirect examination by Mr. Roberson)

Hearing before Special Master Archie H. Cohen, March 7, 1945.

FREDERICK B. ANDREWS

(Direct examination by Mr. Roberson)

I reside in Glencoe, Illinois and have an office at One North LaSalle Street, Chicago, Illinois. I am a certified public accountant.

Pursuant to Court Order dated January 19, 1942, I made an investigation of trading transactions of the trusts

and the 27 subsidiaries.

S.E.C. Exhibit 3 is a report I prepared relative to transactions in the securities of Federal and its subsidiaries. S.E.C. Exhibit 4 is a report I prepared relating to transactions in the securities of National and its subsidiaries.

The contents of the two reports accurately reflect my examination of the books and records subject to the limitations mentioned in the reports and subject to the fact that they contain many items not subject to mathematical proof.

FREDERICK B. ANDREWS

(Cross examination by Mr. Herriott)

We took such precautions in the report that there are probably very very few errors. However, errors in bond numbers would not show on checking so that there might be a few errors in that respect.

FREDERICK B. ANDREWS

(Redirect examination by Mr. Roberson)

These reports reflect as accurately as we could make them the situation that existed but there might be errors

in a report of such magnitude.

There are three types of situations shown in the report. In one we have the purchase price and the sale price; in another we have the purchase price but no sale price and in the third we have the sale price but not the purchase price.

210 JACOB KULP

(Further examination by Mr. Roberson)

Hattye J. Kulp is my wife. Her transactions were shown in the books just the same as that of any other customer.

The only bonds I bought to my knowledge were two \$4,000 bonds of Ogden Park and I sold them to Darrow. I think they cost me \$2,000 and I took a loss.

MYRTLE JOHNSON

(Further examination by Mr. Mulfinger)

(A statement prepared by Myrtle Johnson reflecting transactions of Darrow's Chairman Account with Colonial and Myrtle Johnson was marked Trustee's Exhibit 9 for identification.)

(Trustee's Exhibit 9 was received in evidence.)

Trustee's Exhibit 9 is a list of securities purchased by Darrow for the Chairman Account from Colonial and myself.

The Fourth column from the left is the price paid by

the Chairman Account to Colonial and myself.

MYRTLE JOHNSON

(Direct examination by Mr. Mulfinger)

In preparing Trustee's Exhibits 7 and 8, I took the transactions up to June 30, 1941, which was the date we ceased doing business as Colonial.

When Colonial sold bonds to Darrow, we made out

Colonial's confirmation, which was numbered.

211. The ledger sheet did not show the confirmation but

the actual date that delivery was made.

I was very active in the reorganization of the subsidiaries in furnishing various data and material to the attorneys.

I was familiar with the structures of the companies and, working for Darrow, I was familiar with their financial condition. Colonial was the trading house for all the

securities since no one knew Darrow or Federal.

I often discussed the market price of bonds with Darrow. I think Darrow would almost expect us to make a profit in our transactions. When he came in, I very definitely told him that we were going to continue the securities business and that I would not continue working for \$250 a month unless I made more money than that paid by Darrow.

I might not have said that we were going to make a profit on the transactions, "but he knew I was not in the

business for love".

He bought a great many bonds direct, but he was able to acquire bonds of the subsidiaries from Colonial at a better price than he would have to pay other people during the period of this reorganization.

I don't remember any time when Darrow asked what we paid for bonds which he purchased from Colonial or

me. I don't remember telling him our profit.

The exchanges with Landau shown in Trustee's Exhibit 7-B took place about January 1 or 2, 1937, and the bonds we received from Landau were paid at par in March 1937.

I told Landau that the money would be available for him in about two months but he exchanged his bonds for later maturity bonds.

MYRTLE JOHNSON

(Further direct examination by Mr. Roberson)

Shortly after the appointment of Darrow as trustee when I began working for him, I informed him I was going to continue in the buying and selling of securities.

Darrow did not concern himself with the prices Colonial paid. I never told Darrow that I was selling these securities to him at a profit. Darrow knew Kulp and I were to trade in post office bonds.

As I recall it, there were bonds purchased by Darrow with his own funds, which bonds we put up as loans with J. I. Custer & Co. He turned them over to the corporation

at the same price he paid for them.

In buying bonds from Colonial, Kulp or myself, Darrow would not, so far as I remember, inquire as to the cost to us. Confirmations were made out only where Colonial was the seller. On any other transactions, a memo bill was made and Darrow received a copy. The memo bill was on the letterhead of Federal or National and had the name of the company purchasing on it.

I did not tell Darrow where we had gotten the bonds. · Darrow fixed the prices of the securities which we sold to him unless there was a price fixed by a trust committee. For 6748 Crandon Avenue, the Board decided a price. Grand Rapids had a trustee appointed by the Court. The Board fixed a price for Los Angeles. A committee fixed the price for Postal. In the case of 6929 North Clark Street, it was bondholders. On Windsor Shore, it was the Board of Directors. Darrow was a member of the Board of each of these corporations.

I was a member of the Board of some of the corporations. Park View, a large corporation, had a Board of Directors. Dallas had a trust committee. Irving Park

had a Board of Directors.

Ferry Station had a trust committee. Quincy has a voting trust arrangement and two of the voting trustees are members of the Board which fixes the prices to be paid for bonds.

213 In the case of some subsidiaries some leeway on the purchase price was given to Darrow. In other words, a bond might be purchased from 20 to 25 or 30 to 35. It

changed on the amount of money available.

Other companies would fix a top price. If a bondholder dealt with the subsidiary, he would get somewhere between the upper and lower figure, or in case of a fixed price, he would obtain the fixed price, in most instances. I don't know whether Darrow bought any bonds at less than the fixed price. On substantially all of the bonds, I

knew what these fixed prices were at all times.

With respect to the companies which had prices fixed by the Board or committees, I have purchased bonds for myself or Colonial when I knew the prices fixed were greater than the price we were paying and our salesmen had done the same thing. Our salesmen would work out a trade with customers when they knew the bonds were taken by the companie's sinking fund. They had that price to work on. We may have disclosed to the seller the highest price that was fixed by the committee.

Where there was a fixed price, the price which Darrow paid would be within the limits set by the Board or Committees. When there was no fixed price, Darrow would figure out the price, considering the condition of the building, its rental condition, the number of bonds,

etc.

After Darrow fixed a fair price in his mind, he would discuss with me various factors in connection with it; but he decided in the first place what the price should be. Some times after talking with me, he has changed the price. Some times the prices were lower. Darrow was familiar with the conditions of the property and its financial structure. Anything I said would not make much difference.

I don't recall any case where we sold to Darrow at less than the fixed price. Darrow never tried to have as sell bonds to him at less than the fixed price. The Boards in many instances left it to Darrow's discretion to buy bonds at lower or higher figures, depending on how the bonds came in but some times he would suggest to the committee that it would be advise to raise the price. In certain cases, he took my advice to the effect that he should consult the committee in regard to prices to be paid for bonds.

Some times I entered into the discussions when the committee was present regarding the price to be paid for bonds. Darrow never asked the profits Colonial or I made on bonds.

He never asked for an accounting on profits received by me, nor has he asked regarding Colonial's profits, so far

MYRTLE JOHNSON

(Further direct examination by Mr. Mulfinger)

The bonds in Lot 1 not taken by Darrow were retained by me and Colonial. Trustee's Exhibits 8, 7 and 9 do not show a disposition of those securities held by me.

That is shown in S.E.C. Exhibit 2. Some of those

securities were later sold to Darrow.

Hearing before Special Master Archie H. Cohen 215 June 12, 1945

CLAIRE M. MARQUISS

(Further examination by Mr. Mulfinger)

I have been continuously employed by Mr. Mosser since his appointment as successor trustee. Prior to that time, I was employed by Darrow.

The trusts have not purchased any bonds since Mosser

has been in, so far as I can recall.

In fact, I will make that positive. The trusts have not purchased any bonds since Mosser has been in. Kulp continued in his employ approximately two months until the end of September when Carroll took his place.

Miss Johnson continued in his employ until the end of September 1943, which was about a month and a half. When I previously stated that Miss Johnson had purchased bonds for Mosser, I simply meant that she would know of bonds that we being offered, inform him of that fact and if he desired then she would convey the message to the owner of the bonds. Then, Mosser would buy them.

She had no interest in those bonds. Kulp received nothing from the trusts except his salary of \$300 per month. The subsidiaries paid the expenses of his auto-

If Kulp entertained a prospective tenant in connection with the lease, such expense would be reimbursed to him and charged to the building. I simply cite that as a possible item. I do not know that there was specifically such an item, but Kulp was reimbursed for expenditures in connection with the buildings.

We kept an insurance record in which Myrtle Johnson

made most of the entries.

216 (Pages of the insurance records were marked Trustee's Exhibit 10 and 10-A for identification.)

Practically all of the entries are in the handwriting of Myrtle Johnson.

(A bill or statement of L. A. Rose & Co. was marked

Trustee's Exhibit 11 for identification.)

I had occasions to make out checks to L. A. Rose & Co. in payment for bills rendered by it. Darrow signed the checks. Those bills were similar to Trustee's Exhibit 11 for identification.

(Envelope containing a schedule consisting of 92 sheets setting forth the various policies written, the number, the dates, the commissions and the premiums paid was marked Trustee's Exhibit 12 for identification.)

Trustee's Exhibit 12 was received in evidence subject

to verification.

CLAIRE M. MARQUISS

(Recross examination by Mr. Herriott)

While Miss Johnson remained in Mosser's employ, she told him of bonds available for purchase from time to time. Some of them were purchased by Mosser. When I stated previously that Mosser made no purchase of bonds, I meant in his capacity as trustee of the top trusts. He bought bonds for the underlying companies.

Mosser determined what the holder of the bonds should

get.

Since Miss Johnson left, I know of one instance when she advised him that bonds were available. He bought part of the \$5,000 bonds on 22nd Street and the rest have been committed as soon as funds are available. I believe we bought the first bonds in February 1945.

At present Albert Carroll manages 22 of the buildings

and Darrow has five.

Carroll receives \$300 a month. His expenses are paid by the subsidiaries. Darrow is still managing Crandon.

He also manages Park View, Rogers Park, which is 6929 North Clark Street, Windsor Shore and Los Angeles.

The buildings managed by Darrow have more tenants than the remaining buildings because two are a straight apartment building and two are combination post office and apartment building,

GERTRUDE JOHNSON

(Examination by Mr. Mulfinger)

I live at 7012 South Shore Drive and was formerly employed by Darrow, as trustee during all the time he was in office. I kept the insurance record. Trustee's Exhibits 10 and 10-A are part of that record. Part of the entries are in my handwriting and part in Mr. Marquiss's.

(Trustee's Exhibits 10 and 10-A were received in evi-

dence.)

(Trustee's Exhibit 11 was received in evidence.)

The figure 15% appearing on Line 10 of Trustee's Exhibit 10-A is really a commission and is taken from the bill from Item 3 on Trustee's Exhibit 11 which represents the commission paid. The Figure 3 represents 15%. If there had been 5, I would have put in 25%. I believe Marquiss directed me to make these entries.

GERTRUDE JOHNSON

(Cross examination by Mr. Herriott)

Trustee's Exhibits 10 and 10-A record the insurance only on 6748 Crandon.

Trustee's Exhibits 10 and 10-A cover the period from December 5, 1934 to October 1, 1944.

218 Hearing before Special Master Archie H. Cohen July 25, 1945.

(Statements of Counsel indicate that information was being gathered for the purpose of preparing a stipulation as to the trading transactions.)

Hearing before Special Master Archie H. Cohen November 8, 1945.

MYRTLE JOHNSON

(Direct examination by Mr. Mulfinger)

(Counsel for trustee amends Trustee's Exhibit 12 by adding Page 88-A and substituting a new Page 92, which is the recapitulation Amended Trustee's Exhibit 12 received in evidence subject to verification.)

(A document consisting of 17 pages pertaining to bond transactions of subsidiaries of Federal was marked as S.E.C. Exhibit 5 for identification and received in evi-

dence subject to further verification.)

(A document consisting of 27 pages pertaining to bond transactions of subsidiaries of National was marked as S.E.C. Exhibit 6 for identification and received in evidence subject to verification.)

Hearing before Special Master Archie H. Cohen November 15, 1945

(Mr. Mayer stated that on Page 14 of S.E.C. Exhibit 6 a loss item inadvertently appears and the Master stated it would be satisfactory to delete that item on the face of the exhibit.)

(Mr. Mayer stated that he had appended to S.E.C. Exhibit 5 and 6, respectively, a summary of the totals shown

on the various pages.)

219 (The Master permitted the inclusion of the summaries and stated that the record may show that S.E.C. Exhibit 5 consists of 18 pages instead of 17 and S.E.C. Exhibit 6 consists of 29 pages instead of 27.)

(The Master stated that on Page 14 of S.E.C. Exhibit

6 the loss item of \$6.25 may be deleted.

(S.E.C. Exhibit 5 and 6, having been verified, were received in evidence.)

PAUL E. DARROW

(Cross examination by Mr. Mayer)

I am the former trustee of Federal and National. In Exhibit B attached to my final account in Federal, I have shown receipts of \$168,662.16. Page 1 of the detailed

schedules shows receipts of \$166,448.14. I can't explain that difference. Said Exhibit B shows disbursements of \$168,662.16 and operating expense of \$121,910.15. Page 1 of the detailed schedules shows operating expense of \$119,696.13.

I can't explain the discrepancy. Schedule 2-L of the detailed schedules in Federal shows interest received of \$980.00. An addition of the figures gives \$1,080 which is

\$100 more than is shown in the schedules.

Schedule 3 of the detailed schedules in Federal headed "Advances to subsidiary companies" shows advances

made by me to the subsidiaries.

At the time of my resignation, there was a balance of \$4,020 due me from the subsidiaries. I made the loans by my own authority and not supported by Court Orders. The Chairman Account made purchases or sales of sub-

sidiary bonds.

Exhibit E attached to my final account in Federal shows total of purchases and sales of bonds by the Chairman Account but there are no detailed accounts of the bond purchases. Exhibit C attached to the final account of National shows receipts of \$161,137.26. The detailed schedules in National shows total receipts of \$163,-202.26. 220

I can't explain this discrepancy. Exhibit C attached to the final account in National shows disbursements of \$156,758.24. Page 1 of the detailed schedules shows disbursements of \$158,823.24. I can't explain that discrepancy. Exhibit C attached to the final account in National shows \$47,469.25 expended for the purchase

Page 1 of the detailed schedules shows \$49,534.25 expended for the purchase of bonds. I cannot explain the discrepancy. I am satisfied that my final report and account and detailed schedules filed in the National case are correct.

Exhibit E attached to the final account in Federal shows that when I took over the par value of securities of the subsidiaries of both trusts in the Chairman Account totalled \$77,992.50. The left hand column on Page 1 of said Exhibit E indicates the par amount of securities received by me for the Chairman Account. Page 2 of said Exhibit E in the left hand column indicates the par value of securities purchased in the Chairman Account,

Page 4 of said Exhibit E in the left hand column indicates the par value of securities which I received on June 1, 1935, for the Chairman Account. Thus, the securities contained in Exhibit E indicate the securities on hand when I took over the Chairman Account, the par value of the securities purchased, the par value of the securities sold and the par value of the securities on hand at the time of my resignation.

Hearing before Special Master Archie H. Cohen November 30, 1945

(A photocopy of "minutes of first meeting of Board of Directors of Quincy Station Post Office Building Corporation" held December 11, 1925, consisting of the first 8 pages was marked S.E.C. Exhibit 7 for identification.)

(A photocopy of the last 9 pages of the minutes of the first meeting of the trustees of Federal held on September 10, 1929 was marked S.E.C. Exhibit 8 for identification. A photocopy of the "Minutes of Special Meeting Board of Directors of Quincy Station Post Office Building Corporation" held on November 22, 1930, consisting of three pages was marked S.E.C. Exhibit 9 for identification.)

(A photocopy of a letter from Scovill Wellington & Co. to Darrow consisting of three pages to which is added two pages of the Analysis of Earned Surplus contained in Report of Charles Banks & Co. as at December 31, 1931, and also two pages consisting of a letter from Jacob Kulp to Quincy dated December 10, 1925, was marked S.E.C. Exhibit 10 for identification. A photocopy of a Complaint in the Circuit Court No. 35 C 16826 in the case of Quincy vs. Kulp, et al, was marked S.E.C. Exhibit 11 for identification.

(A photocopy of a motion to dismiss the said complaint in Case No. 35 C 16826 was marked S.E.C. Exhibit 12 for identification. A photocopy of an order dismissing by agreement said Case No. 35 C 16826 was marked S.E.C. Exhibit 13 for identification. A photocopy of a Complaint in the Circuit Court No. 35 C 16827 entitled "Marie H. Boord vs Jacob Kulp, et al" was marked S.E.C. Exhibit 14 for identification.)

(A photocopy of a motion to dismiss said Case No. 35 C 16827 was marked S.E.C. Exhibit 15 for identification.)
(A photocopy of an order dismissing by agreement said

Case No. 35 C 16827 was marked S.E.C. Exhibit 16 for identification.)

Mr. Roberson offered in evidence S.E.C. Exhibits 7 to

16. inclusive.

The Master let said exhibits be received subject to objections and reserved the ruling on their admissibility.

223 Hearing before Special Master Cohen December 7, 1945

PAUL E. DARROW (Cross examination by Mr. Roberson pursuant to Rule 43(b) Federal Rules of Civil Procedure) .

I previously testified, with reference to Exhibit E attached to my final account, that the respective amount of bonds on hand on June 1, 1935, purchased, sold and the amount on Hand September 30, 1933, were correctly stated.

According to said Exhibit E, I started out with bonds in the "Chairman Account" on June 1, 1935, totalling a face amount of \$23,900.

Said Exhibit E shows that I purchased a total of \$200,300 of bonds, making a total of bonds on hand and

purchased in the amount of \$224,200.

Exhibit E shows that I sold \$153,000 in bonds. Subtracting the latter figure from the total of bonds on hand and purchased would leave a remainder of \$71,200.

However, according to Exhibit E, the actual bonds on

hand amounted to \$50,000.

(After Mr. Roberson asked if there was not a shortage amounting to this difference between \$71,200 and \$50,000 in bonds on hand, Mr. Herriott interposed and stated that if any discrepancy existed they would attempt to explain it.)

Schedule 3 of the detailed schedules shows advances to subsidiaries of \$76,013.50 and repayments of \$69,513.50, leaving an unpaid balance of \$6,500. I made these advances under the general authority given me by the order of appointment but there was no specific authorization

for these loans. They have been repaid.

I had knowledge of the filing of the complaints in the case of Quincy Station and Marie Boord against Jacob and Lee Kulp and Myrtle Johnson. When the complaints were filed, the stock was held by voting trustees; but when the bonds became due the stock would then be-

come the property of Federal Facilities.

I was one of five directors of Quincy but not a voting trustee. I was trustee of Federal Facilities which included among its assets the stock of Quincy. The voting trust was simply a device to give added protection to bondholders. From June or July 1935 until August 1943, I was president of Quincy and on the Board. In November of 1935, the directors of Quincy were Franklin Kester Elmer R. Weber and Paul E. Darrow.

I agreed to a dismissal of the Quincy suit vs Jacob

Kulp, et al, because the Board ordered it done.

There were many cases when there might be a conflict between my interest as trustee and my official connection with the subsidiaries. In every case I tried to do everything proper for the subsidiaries without reference to the parent. I knew that as trustee it would be better for me to take that position for the subsidiaries. My first interest was always with the subsidiaries but I knew "it was the best business for the parent trusts".

I think I received authority from the District Court in which the Quincy case was pending to dismiss the suit against Kulp, et al. The voting trustees for Quincy were appointed before the conclusion of the 77(b) reorganization, but it might have been part of the final business in

the case.

While Quincy was in reorganization, I was in charge of running the business as president of the corporation ap-

pointed as a result of my being trustee.

I can explain why the suit against Kulp, et al, was dismissed. The members of the Board were not in sympathy with the suit and none of them wanted to presecute it because they thought it lacked merit. When our lawyer stated that we would have to decide whether or not to prosecute the case, the Board asked the attorney to report all its prospects and requested me to obtain a Hill's report on the defendants. At the next meeting we had the Hill's report and the letter from the lawyer. The lawyer in his letter said it could not be handled on a

225 contingent basis and it was doubtful if he could get a judgment which might or might not be collectible. The Board decided it would not be worth-while to put any money in the suit, so they voted to dismiss it and under that instruction I ordered it dismissed. As president of Quincy, I was of the opinion that it should be dismissed.

I personally felt that the suit should be dismissed based on my investigation, the letter from the lawyer and my

doubts as to the collectibility of the defendants.

I never heard of Marie Boord until a few days ago. (Copy of debtor's petition for leave to dismiss the case of Quincy vs Jacob Kulp et al, filed July 20, 1938, was marked S.E.C. Exhibit 17 for id.)

(Copy of order dated July 20, 1938 dismissing case of Quincy vs Kulp, et al was marked S.E.C. Exhibit 18 for

(S.E.C. Exhibits 17 and 18 were received in evidence.) I was wrong when I said I never heard of Marie Boord because Mr. Williamson's letter of February 3, 1938, mentions her. However, I never met her. I have no recollection of causing the Boord suit to be dismissed.

(Witness was asked if his recollection was not refreshed by the statement on Page 2 of S.E.C. Exhibit 17 to the effect that on November 18, 1935, Quincy caused two bills in equity to be filed against its directors. The witness stated:)

This does not refresh my recollection. I presume my lawyer recommended it be handled that way. I would say that the statement in the petition is cor-

The reasons for my asking the Court to ratify the dismissal of the suit thirty-five days previously was that the defendants were not collectible, the case would prove expensive and the prosecution of the proceedings was ot advisable.

I did not tell Judge Holly any other reasons for smissal. Jacob Kulp and Myrtle Johnson, two of the defendants in that suit, were in my employ, as trustee, when the two suits were filed and remained in my employ for some time after its dismissal.

Mr. Kulp was not on the payroll at the start but gave us free service. When the business would stand it, I put him on the payroll. Miss Johnson was on the payroll during my entire trusteeship at \$250 a month.

Kulp was in charge of the physical properties. He had an office in an adjoining suite for the last year or two. He had access to the books and records of the subsidiaries. In a general way, he was well informed about the financial condition and operations of the subsidiaries but obtained most of his information from Miss Johnson or me and not from the books. "However, he was entitled to and welcome to all the information he wanted."

Miss Johnson helped on everything in running the office. She always answered all the questions of bondholders. For many years I didn't become sufficiently familiar to answer the letters myself, although later on I did. Miss Johnson was always the one people came in to see; and if she wasn't there, they would ordinarily wait for her. She was thoroughly familiar with the whole operations and in charge of the whole office and in charge of practically everything. She had charge of my books and records, as trustee, and also the books of the subsidiaries.

While the two suits were pending, I did not discuss with Miss Johnson or Jacob Kulp the question of liability or collectibility. I never asked either of them for a statement as to their assets or liabilities.

I knew that Kulp had turned over everything he had to the Kulp-Andresen trust. I made no investigation be-

yond ordering the Hill's report.

I undoubtedly told the Board of Quincy that I was satisfied there was no chance to collect. Mr. Kulp had signed many repurchase agreements for bonds, and I knew that he did not have the money required to fulfill such an agreement. He went broke because he tried to keep them. I investigated Lee Kulp's collectibility only to the extent

of the Hill's report.

227 I don't remember whether Lee Kulp or Miss Johnson signed repurchase agreements. I made no inquiries as to what assets any of the defendants had. I didn't know that Miss Johnson owned any of the securities of the top trusts or subsidiaries. I did know that some of the securities were in Jacob Kulp's name but he had no beneficial interest in them. These were securities he had put up for loans and they were in the Kulp-Andresen trust.

Those were the securities later sold in the Seligman suit sold by Master Bolton. Until August 1943, I was of the opinion that the certificates of beneficial interest of National had value. I don't know now the way money

is being spent. I knew that up to August 1943 Jacob Kulp had a substantial block of such certificates but they were up as collateral in the Kulp-Andresen trust.

I think that about 45,000 shares of National were outstanding. I do not know whether or not 20,298 shares

stood in Jacob Kulp's name.

I know Jacob Kulp borrowed a large amount from Joseph Baumann and put up National, and I think, Federal shares as collateral. I didn't ask Kulp if the shares in his name were pledged, but I know they were. I am not sure that the shares stood in Kulp's name but had been told shortly after my appointment either by Kulp, Miss Johnson or Baumann that he owned a substantial block.

I undoubtedly knew about the certificates at the time the two Circuit Court suits were dismissed. I told the Board that Kulp owned shares of National. I also said

they were pledged.

I think it is true that the Hill's report did not state that the defendants were judgment-proof but I was satisfied from the report that we could not collect,

228 Hearing before Special Master Archie H. Cohen December 20, 1945

(Seven page photocopy of "minutes of special meeting of the Board of Directors of the Quincy Station Post Office Building Corporation held June 7, 1938, was marked S.E.C. Exhibit 19 and received in evidence. Five page letter dated February 3, 1938, from Adams, Nelson and Williamson to Board of Directors of Quincy was marked S.E.C. Exhibit 20 and received in evidence.)

PAUL E. DARROW recalled under Rule 43(b)

(Cross examination by Mr. John I. Mayer)

I think I have seen S.E.C. Exhibit 10 previously. received the document and I think it came through the mail.

(Cross examination by Mr. Mulfinger)

I was appointed trustee of National and Federal in the Spring of 1935 and was authorized to and did employ Adams, Nelson and Williamson as my attorneys. I continued to act as trustee until August 1943, and those attorneys represented me during that time. Prior to my appointment, I did not know Jacob Kulp, Miss Johnson

or Louis Goldman.

After fininshing school in 1904, I had several different jobs. In 1907 I went to Greeley, Colorado, to rebuild a gas company and acted as its manager and operator for twenty-one years before returning to Chicago. I then became associated with the old Amalgamated Trust and Savings Bank. Thereafter, I was with David A. Noyes, stockbrokers, for five years doing statistical work. I was then appointed trustee in these cases.

After my appointment as trustee, my office was at 29 South LaSalle Street for the two trust companies and the

subsidiaries.

When I was appointed, I found the books of the trusts and subsidiaries in the office and ascertained that they had a variety of stocks and bonds and some cash.

The subsidiaries had separate books, which I examined. We employed about eight or ten people, among whom were Jacob Kulp, Miss Johnson, Mr. Marquiss, Miss Katz,

Miss Gertrude Johnson and Mrs. Anita Aaron. I 229 occupied that office about a year. It was also occupied

by Colonial Securities Corporation.

I agreed that Colonial might continue to occupy the same office. I ascertained by inquiries what business Colonial was in. I understood that Jacob Kulp, Miss Johnson and Lee Kulp owned the greatest amount of the capital stock. When we moved Colonial had a separate

suite adjoining the one I was in.

We moved to 100 West Monroe Street. Miss Johnson was in the suite of National. Mr. Kulp spent most of his time working for me but furnished his own office. The books of Colonial, the two trusts and the subsidiaries were kept in the same room and entries were made in them by the employees of Colonial and of the trusts. Colonial's books were available for my examination and the employees of Colonial could examine the books of the trusts if they desired.

I ascertained that Jacob Kulp was instrumental in selling some of the securities of the buildings to the public. I learned that Miss Johnson had been in the employ of Kulp for quite a few years. I employed her immediately after my appointment. I know that she assisted in the

management of the subsidiaries after my appointment, and I believe she had done so previously.

I paid her a salary of \$250 a month. Mr. Kulp started helping me immediately and continued until I resigned. I put him on a salary in 1937 or 1938.

I paid him \$300 a month to take physical charge of the properties. One of the companies furnished him a flat to act as resident manager. The top trusts paid him nothing else, except out-of-pocket expenses. Miss Johnson was

to receive nothing beyond her \$250 a month.

I don't remember what names were on the door at 29 South Lasalle Street. I think the telephone service that we received had been contracted for by Colonial and we used the phones jointly. I knew they were in the business of buying and selling securities of the subsidiaries. Telephone bills came to Colonial. I made the division as to costs with Miss Johnson. She was employed by Colonial at that time.

230 I kept in pretty close touch with Colonial and had a pretty good idea of the volume of business it was doing. There was an allocation of office rent at 29 South

LaSalle Street.

I employed Mr. Marquiss as chief accountant. Except for the first two months, I devoted practically all of my time to the business of the trusts. Practically all the plans of reorganization of the subsidiaries contained provisions under which I would manage the properties. I was elected president of all the subsidiaries shortly after my appointment. I was paid a managing fee which I turned over to the top trusts. I think I was the only one authorized to sign checks for the top trusts.

There was always a memorandum attached to each check showing what it was for. This was true in the case of

checks issued for the purchase of bonds

I did not destroy checks but I destroyed many cancelled vouchers-in 1939 or 1940. I think the cut-off date was December 31, 1937. The securities of the Kulp-Andresen trust were not turned over to me but to Melvin Hawley. The Kulp-Andresen trust had all of the securities Kulp & Company had at the time it went into bankruptey. A trustee was appointed after some federal agency investigated it.

Any services rendered by my attorney by keeping in touch with the Seligman v. Kulp case were voluntary and not under my instructions. I did not discuss that situation with Miss Johnson, so far as I remember.

I did not discuss it with Mr. Goldman, nor with anyone else. I had a list of the securities turned over to Hawley and which contained many bonds issued by the subsidiaries.

Burke Williamson was generally my attorney in the case of the trusts. I did not learn what the litigation was about in the Seligman case. I attended the meeting of the Board

of Quincy on June 7, 1938.

At this meeting I stated that this report gave little information but raised the presumption that a judgment might produce some money. This was inferred because a few years ago Jacob Kulp & Co. possessed about \$200,000 in bonds of the subsidiaries and Jacob Kulp owned the controlling stock of said company. I further stated that I probably understood the report better than the rest because of my close association with the defendants during

the past three years.

over to Andresen, my predecessor. I added that the bonds had been obtained by Jacob Kulp & Co. in exchange for securities of the top trusts and the Department of Justice asked that the assets of Jacob Kulp & Co. be turned over to Andresen for exchange back to the original owners. I met Goldman three or four months after I became trustee. Before the sale in the Seligman case I knew it was expected that the bonds would be sold as a block.

I had a list of the bonds that were to be sold. I wanted to acquire all of them. I don't think I made a pencil memorandum of the bonds I wanted before the sale was con-

firmed.

I made up such a list at some time and probably gave it to Miss Johnson. I gave Miss Johnson checks totaling \$12,400 to purchase bonds and this was probably after I made the list. I think these checks were drawn on the subsidiaries and the two top trusts. I think the memorandum usually attached to checks were attached to these.

I discussed the matter of these bonds in this case prior to the time the sale was held with Miss Johnson. I asked my lawyer to get permission of the Court to buy these

honds.

The Court refused permission to buy the bonds. I did buy some of the bonds after the sale. I did not instruct my attorney to attend the sale and did not know he would do so. The attorney did not report back to me and I did not discuss the matter with him after the sale. I believe my checks of \$12,447 to purchase the bonds in the Seligman case were made payable to Miss Johnson or Colonial. It was my way of doing business to make checks payable to

the person I purchased bonds from.

I did not ascertain from Miss Johnson the sale price of the bonds in the Seligman case. I bought them from Miss Johnson and I don't know whether she was handling them for someone else or for Colonial. I made checks as she asked. I did not ask what she paid for them. It was not any of my business if an employee made a profit. I did not receive any advice from my attorney against allowing the purchase of bonds by employees or against buying through employees. I never asked Miss Johnson what happened to the other securities in which I was interested in the Seligman case. The first time I heard of their disposition was in this hearing room. It is possible that Goldman could have told me he was holding them and I had forgotten that fact.

232 I gave Miss Johnson the checks may be a couple days or a week prior to their delivery. We usually received bonds when we paid for them. I don't know whether Miss Johnson gave any reason for the delay in that case.

When I purchased bonds from Miss Johnson, I did not

inquire as to whether she was making a profit.

I did not know that Goldman was interested in the Selig-

My attorney in preparing the petition for leave to purchase at the Seligman sale had a list of the securities. I was interested in purchasing them as being beneficial to the estate.

I did not discuss the Seligman case with Miss Johnson. I did not want to speak about it because it incensed me to know that I lost a chance to improve the position of the trusts. I subsequently learned that the bonds of the subsidiaries were sold in one lot and the other securities in another. I think it was at these hearings that I learned that the bonds in Lot 1 sold for \$8,050.

I was in Court when certain parties were seeking an investigation of my accounts, but I did not hear the statement that considerable money had been lost to the trusts by manipulation of the bonds in the Seligman case. I know

that Mr. Andrews was appointed to make the investigation. I received copies of his reports.

I am not sure that I read in the Andrew's report that an improper profit of \$20,000 was made on the Seligman case.

I read just the first few pages of one report and did not look at the other.

I presume my attorneys discussed the Andrew's report with me.

My attorneys made no recommendations to me regarding

the Andrew's report. I have never read them.

233 (In response to the Master's question whether he would read the Andrew's report before the next hearing, the witness said he would not because it is full of inaccuracy. Mr. Herriott said he had no doubt but that Mr. Darrow would read it.)

234 Hearing before Special Master Archie H. Cohen January 11, 1946

PAUL E. DARROW

(Cross examination by Mr. Mulfinger)

I have read the Andrew's report since the last session. I checked through the schedules to some extent. I think I was in court the morning the order was entered regarding the investigation.

(Mr. Roberson stated that the order was entered Janu-

ary 19, 1942.)

I did not discuss the matter of the Andrew's investigation with my attorney, except to give him the report and let him read it. I don't remember that my attorney discussed the matter with me prior to the time the investigation was ordered.

The offices occupied by Colonial and Mr. Kulp were in a suite adjoining my office. There was no door between them. There was a partition between and an opening that

could take a door but there was no door.

I did not assign any duties to Miss Johnson or any employees. They had sufficient judgment to do anything that was necessary. It was my intention to permit her to do as she pleased. She was in general charge of the office and of seeing people that came in and of answering correspondence. She was the one who saved the two top trusts by helping in the reorganization of the subsidiaries.

She was thoroughly familiar with the financial set-up of the subsidiaries.

She was familiar with the financial position of the top trusts. In many instances bondholders would ask for Miss Johnson wnen they came in. She had authority to negotiate for this purchase of bonds but always subject to my approval. In two or three of the reorganization agreements, I was paid a fee for my services. I received and retained these fees. I did not turn them in to National or Federal. I never owned any bonds of the subsidiaries, except that on two or three occasions I bought some—not to keep but to turn over to the companies as soon as they had the money. I did so in each case at cost to me.

My interest in the reorganization of the subsidiaries resulted from my being trustee of National and Federal. I knew George Peterson and that he was related to Miss

Johnson.

I met Emma Johnson and knew she was related to Myrtle Johnson. I knew Gilbert Johnson, Myrtle's brother, and I knew Max Levy. Max Levy came to the office frequently to see Mr. Kulp. I knew Sarah Levy and the Baumanns.

I knew that Colonial was engaged in the buying and selling of securities of the subsidiaries, of the two top

trusts and all kinds of securities.

Colonial was the successor of the originating house of the subsidiaries' bonds and so naturally the market was there. Other security houses usually referred their inquiries to Colonial. I purchased many bonds of the subsidiaries on their behalf from Colonial.

I purchased bonds of the subsidiaries from Colonial on behalf of the Chairman Account and Federal and National.

I never asked Miss Johnson what she paid for bonds of the subsidiaries I purchased from her. I never asked what price Miss Johnson or Colonial paid for securities of the top trusts which I purchased from them. I never discussed with my attorney my purchase of bonds from my employees or Colonial and he did not know I was making such purchase.

In showing bond transactions on our books, we were not particular about numbers. I signed a petition seeking leave to purchase the securities in the Seligman case and

it was not granted.

About two years later, I determined to buy some of the securities. Miss Johnson did not tell me that Tauber was

purchasing them at the sale for her.

I remember that Miss Johnson testified that she told me that Tauber had purchased the securities on her behalf, but as far as I remember I don't think she did tell us.

Miss Johnson didn't tell me about Tauber purchasing for her before she bought the bonds, nor did she tell me

how she was raising the money.

When I bought part of the Seligman bonds, I don't know whether I understood I was participating in any transaction Miss Johnson had arranged or not. I know before I gave her checks, I had agreed to buy certain bonds from her.

As far as I can remember, she said she had a chance to buy some bonds and asked if I would like them. As far as

I can remember, she never told me the source of them.

236 I made a list of the securities I was going to get.

Those bonds were for future delivery.

I can tell by looking at this document (list of bonds from Lot 1 purchased by various subsidiaries, top trusts and the Chairman Account) that I drew checks on various subsidiaries, the two top trusts and the Chairman Account to purchase the bonds.

I think the bonds were purchased on May 16, 1938, the date this document bears. This document being Trustee's Exhibit A, of January 3, 1945, also lists the prices I paid

for the bonds.

I don't think I asked Miss Johnson the source of the bonds, and I don't know from whom I was buying them.

I frequently gave Colonial checks for bonds three or four days before delivery, but I think I never did this with outside companies. I don't think I did this with Miss Johnson but I think I would have if she wanted me to. After the subsidiaries were reorganized, I still was president.

In some cases, I was a member of a trust committee. I was manager of the physical properties of the corporations. I realized after the reorganization that I owed a

duty to the stockholders and the bondholders.

I felt it was my duty to buy bonds as cheaply as possible. The management fees that I received were turned in to National or Federal. Practically all of the insurance was written through L. A. Rose & Co. I think I saw the name

of Jacob Kulp on the bills. I felt that he had some interest in the insurance but did not inquire why his name appeared on the bills.

I did not inquire of Jacob Kulp what interest he had in the insurance premiums paid by Federal. I know that he was acting as broker. I felt that my employees were entitled to take part of the commission. I do not know whether Kulp received the commission.

I knew Kulp expected commission and that refers to all the subsidiaries of the top trusts. I know Kulp was inter-

ested in the commission paid.

PAUL E. DARROW

(Cross examination by Mr. Roberson)

I never made inquiry when and where people got bonds I purchased or what they paid for them. I never made any effort at all to ascertain and did not know whether 237 Kulp, Johnson or Colonial made profits out of these bonds that I bought from them. Colonial books were available but I did not examine them. It is easily possible that Colonial, Johnson and Kulp made profits on these transactions, and I didn't think it was any of my

After the filing of the Andrew's reports, I did not take up with them the matter of these profits. I made no effort to recover the profits from Johnson or Kulp or anybody

I knew that Mr. Kulp, Miss Johnson and Lee Kulp held the majority of Colonial stock, but I was never told that they were the sole stockholders. I did not know and never tried to find out who owned thhe stock of Colonial. I knew that Colonial was under the control and domination and operation of Miss Johnson and Jacob Kulp.

Miss Johnson, as one of my employees, had information regarding the operations of sinking funds. I, not Miss Johnson, determined how much earnings were available

for placing in the sinking fund to retire outstanding bonds. She assisted me in that work. I always showed her the figures after I arrived at them and Miss Johnson was familiar with them and Mr. Kulp could have had the information if he wanted to. In every instance, Miss Johnson knew the price that I authorized for the purchase of bonds for the sinking fund.

I believe every time we communicated with bondholders we told them what we were paying for bonds or at what rate recent purchases had been made; except in one or two instances the sinking fund did not call for tenders. The general practice was for me to determine how much money could be used for that purpose. I established a price.

If the bonds came too fast, we would lower the price. I have dealt in securities for more than forty years and think I am fairly competent to decide upon a reasonable price. I had daily quotation sheets in which many of our issues were quoted and I knew the price of similar bonds.

Once in a while, Colonial showed a bid price for bonds

of the subsidiaries.

Miss Johnson would know I was in the market for bonds without any advice from me. She knew I wanted to buy all the bonds that I had money to pay for and she knew or could have known the extent of the money available, because she had access to all the books. I never knew whether Johnson and Kulp were selling to me as prin-

cipal or agent.

238 I never inquired. I did not feel I owed a duty to find out. I did not make any assumptions as to whether or not Johnson and Colonial were selling to me at the same price they paid. I was willing to pay a certain

price for the bonds and took them at that price.

I did not regard it my duty to find out if I could buy the bonds more cheaply from them than the price they were asking. I knew what the market was. I do not know whether they had bought the bonds at prices lower than the sale price to me. I know that now.

I remember no particular case, but I know that at times Johnson or Kulp must have told me that a bondholder who came to the office wished to sell his bonds and asked

if I would like to buy the bonds at a certain price.

Frequently, we bought bonds directly from bondholders and this happened more often in later years when people began to know who I was. I presume that if I was unable to buy particular bonds and I was offered such bonds that I may have referred the person interested in selling the bonds to Miss Johnson or Colonial as a prospective purchaser.

That would be the ordinary thing for me to do, but I do

not recall any instances.

I thought and still think that the price at which Miss Johnson sold bonds to me was a personal matter and I did not inquire into such personal matters.

I frequently discussed prices with Miss Johnson. Many times she advised me not to raise the price I was paying for bonds. She objected to increasing the price as many

times as she agreed to an increase.

If bonds did not come in fast enough, we frequently talked over whether the price was too low and after the price was established then anybody that offered bonds, including Johnson and Colonial, would get that price. That price would continue until Miss Johnson and I got together and changed it. When a bond was bought, we had a sales slip showing who sold them, the price paid and the amount of the transaction.

I would know from whom I was buying and make out a check to that person. Thus, I knew that I was buying in many instances from Colonial and Miss Johnson. I never inquired whether they made a profit. I do not know whether it ever occurred to me that although I was interested in buying at the lowest price that Miss Johnson and Colonial would be interested in selling at the highest price. I would expect that it would be to the interest of Miss Johnson or Colonial to sell to me at the highest price they could obtain. There was a provision in practically all the plans that if the sinking fund got above a certain amount

we were to ask for tenders but not otherwise.

I do not remember any instances where the fund reached the amount requiring tenders because ordinarily we bought the bonds as fast as we could. I do not believe any of our annual statements, which were required in almost all instances, failed to contain a statement of the prices we were paying for bonds. It is possible that one or two did not contain this information. We sent out annual statements where the plan called for it. In a few instances. I believe we did not but anyone who wrote in received the information. The statements set forth the bonds that had been retired during the year or the prices paid and prices we were offering at the time. There was no provision in the Postal plan for reporting to bond-

We did not have a good list of Postal bondholders, but we sent them two or three letters. We sent bondholders income statements but not balance sheets unless requested.

We always showed the amount of bonds outstanding but not the amount of the assets. In the case of Postal I do not think the letters sent to bondholders showed the income. They stated what had been done since the reorganization, the bonds retired, the price at which retired, perhaps the current price and an explanation as to the property and its prospects. There was a trust committee on Postal.

They received a complete statement every month. If any bondholders wrote in we would answer their inquiry.

I think in our communications to bondholders we stated that we were willing to buy the bonds at a certain price. By "report" to bondholders I mean communications

that were sent out.

These reports were generally sent out annually. I think Quincy and one or two others were semi-annually. I think there were one or two others besides Postal to whom we did not send statements at all. At the present time, Mr. Kulp, Miss Johnson and I have office space together at 100 West Monroe Street. On the door we have "Paul E. Darrow and Associates"

This arrangement was formed following my resignation as trustee of Federal and National. There was no business enterprise that was formed. Kulp, Johnson and I are not partners nor are they in my employ. I am manager of certain properties and they are helping me in every-

thing they can do.

This is not on a compensation basis. "Associates" on the door means that there are several of us in that office. I think they have one or two properties that they manage

themselves.

We have the same telephone number I had as trustee of National and Federal and that stood in the name of Colonial.

SEC Exhibit 17 bears a photocopy of my signature.

Apparently, I sought approval of my action in dismissing the Quincy Station suits some thirty-five days after I

had actually dismissed them.

(Mr. Roberson asked if it is admitted that the State Court loses jurisdiction over its decrees after thirty days. Mr. Smith stated: "I believe that is the law." Mr. Roberson asked Mr. Smith if he would agree that the State Court loses jurisdiction after thirty days. The Master

thereupon stated: "I don't think his agreement changes the law in any way or enhances it or minimizes it.")
I don't remember any discussion with my lawyer about

dismissal of the suits except in our board meeting.

Before the sale in the Seligman case, I asked the Court's approval to buy the securities. I didn't know there was going to be any judicial sale, and I simply wanted authority if they were ever offered for sale.

If I consider anything of real consequence, I always asked the Court's permission but not if the thing was

just a matter of routine business.

I know of no other instances where I made an important decision and carried out some action without the Court's approval but sought such approval afterwards. As far as I know, the only instance involved the Quincy Station dismissal.

Hearing before Special Master Archie H. Cohen 241 February 25, 1946

PAUL E. DARROW

(Cross examination by Mr. Mayer)

I knew that the securities involved in the Seligman ease were the securities in connection with the two top trusts and the subsidiaries. I knew what securities were involved in the Seligman case.

PAUL E. DARROW

(Cross examination by Mr. Mulfinger)

The money I gave Miss Johnson for securities in the Seligman case was given in several checks which, I assume, were drawn on the subsidiaries, the two top trusts and the Chairman Account.

(One of the checks used by Darrow in the Seligman case was marked Trustee's Exhibit No. 1 for identification as of

February 25, 1946.)

This is one of a series of checks given for the purchase

of bonds and securities in the Seligman case.

(Other checks used to purchase securities in the Seligman case were marked for identification as Trustee's Exhibit Nos. 1-A, 1-B, 1-C, 1-D, 1-E and 1-F.)

I believe those checks were used in a purchase of securities in the Seligman case. I think I made notations on the check stubs as to the items which the checks were supposed to purchase.

I believe Jacob Kulp & Co. went into bankruptcy while I was trustee. Jacob Kulp, the president, was then in my employ. I did not investigate that bankruptcy matter, nor as far as I remember did I request my attorney to do so.

I think I saw on some list that Jacob Kulp & Co. 242 had scheduled a claim against National in the sum of \$48,000.

I don't remember doing anything about this \$48,000 claim. There were entries in the ledgers of the various subsidiaries regarding claims involving Jacob Kulp & Co.

In some cases Jacob Kulp & Co. appeared as a creditor and in others as the debtor. I never investigated either the amounts nor the validity of the claims. I knew that Miss Johnson and Kulp had control of the books of the subsidiaries until Andresen appeared. I don't know whether the top trusts or the subsidiaries had claims against Jacob Kulp & Co. when it went into bankruptcy. I did not follow up that bankruptcy matter for I presume that my lawyer did.

Until this year I did not know that Michael Tauber & Co. had purchased the alleged claims listed by Jacob Kulp & Co. against the two top trusts and the various subsidiaries.

I heard about some payment which Tauber made for the assets of Jacob Kulp & Co., but I do not know whether it was \$1,500. I did not know for whom Tauber was acting in making the bid. I do know that afterwards I got a Court Order to buy the books of Jacob Kulp & Co. in which we were interested.

I never paid the alleged \$48,000 claim of Jacob Kulp & Co. I heard that this claim, which was purchased by Tauber in the Bankruptcy Court, finally came to the hands of Joe Baumann.

He is a relative of Kulp. I assume that the other claims against the subsidiary corporations were all turned over to Mr. Baumann.

While I was trustee of National and Federal, no claim was ever made by or in behalf of the owner of the claims scheduled in the Bankruptcy Court by Jacob Kulp & Co.

I never discussed that matter with Mr. Kulp, and I don't think that I ever discussed with him the refusal to pay the

alleged \$48,000 claim against National.

243 When I learned about the \$48,000 claim having been disposed of to Baumann about a month after the sale, I did not examine into the affairs of National to see whether it was a valid claim. I believe I examined the books of National to see whether the claim was set up.

I did not make a report to the court that a relative of

one of my employees purchased that (\$48,000) claim.

PAUL E. DARROW

(Cross examination by Mr. Mayer)

On Page 976 of the record I testified that Colonial was buying and selling securities of the subsidiaries and the top trusts and other securities.

I did not mean that Colonial dealt only with me because

it also dealt with the general public.

PAUL E. DARROW

(Cross examination by Mr. Courshon)

When I learned of the Jacob Kulp & Co. bankruptcy proceeding, I did nothing that I remember of.

(The master stated that he would permit Mr. Darrow to clarify or explain discrepancies in his accounts appearing in his prior testimony under cross-examination by Mr. Mayer. Although requested by the witness to go over once more the matter of the discrepancies, Mr. Mayer stated that he preferred not to put the questions. However, the master requested Mr. Mayer to examine Darrow regarding the discrepancies in the interest of saving time.)

I can explain the discrepancies resulting from the fact that my final report in National shows receipts of \$161,-137.26 and the detailed schedules show receipts of \$163,-202:26. The difference is a bond profit or receipt in excess

of the money expended for the same bond.

The difference of \$2,165 represents \$1,800 received from the sale of Ogden Park bonds; \$250 from the sale of Windsor bonds; \$15.00 for Austin bonds and \$100.00 for the Armour bonds.

The original reports were correct when filed. At a

meeting at the Securities and Exchange Commission, Mr. Roberson asked Mr. Marquiss to make a supplemental report and eliminate certain items, including said \$2,165.

The \$2,165 was the cash received in excess of the cash paid on the bonds mentioned. The amount of securities was reduced by that amount. We simply showed the excess of the sale price over the cost instead of showing the detail of the amount paid and the amount received.

I did not consider this an unusual method of bockkeeping. I had a competent bookkeeper to make the report to satisfy the Securities and Exchange Commission and the

court.

\$166,448.14.

Exhibit C of the final account in National shows disbursements of \$156,758.24 while Page 1 of the detailed schedule showed disbursements of \$158,823.24. This difference results from deleting the price paid for certain bonds and the prices for which they sold and leaving only the excess of the sale price over the cost. Exhibit B attached to the Federal final account shows receipts of \$168,662.16 while Page 1 of the detailed schedule shows receipts of

That difference of \$2,214.02 results from the elimination at the request of Mr. Roberson of bills receivable charged to National as its share of the expenses for the certain period. The \$2,214.02 consisted of the following: Trustee's salary account, \$554.11; office salaries, \$1,167.52; rent \$153.78; supplies \$86.23; telephone and telegraph, \$56.80; taxes, \$50.40; miscellaneous expense, \$7.95 and postage, \$37.23. This also explains the difference between \$121,910.15 shown as operating expenses and Exhibit B of the final account and \$119,696.13 shown as operating expenses on Page 1 of the detailed schedules. Exhibit C of the final account in National shows \$47,469.25 was expended to purchase bonds while Page 1 of the Detailed schedules shows \$49,534.24 for that purpose.

That difference of \$2,065 has already been explained when I said that we simply showed the profit instead of

the details of the transactions.

245 We deleted the profit in both instances. The socalled profit was \$2,065. We reduced the cost of the bonds by \$2,065 and reduced the receipts by \$2,065. It did not make any difference as far as profit is concerned. We did not take any profit out or put any profit in.

Previously, I talked about the difference being \$2,165 and \$2,065. In the final report, \$100.00 is the sale of an Armour bond in excess of the cost and was credited in error to the interest received. In the supplemental report the interest was reduced \$100.00 and that \$100.00 was

credited as a profit on the bonds.

Schedule 2-L of the detailed schedules in Federal shows a total interest of \$980.00 while an addition of the figures shows a total of \$1,080. This resulted in an error from typing. The St. Louis bonds did not pay interest on February 1, 1943, in the amount of \$100.00 and there was an error in carrying over that amount. Thus, \$980.00 is cor-

There is a difference of \$20,600 between the bonds which I apparently should show as having on hand in the final account and the bonds actually shown as on hand in the third page of Exhibit B of each final report regarding the Chairman Account. In making distribution in the Chairman Account, we gave cash or bonds to the companies that had money coming. We gave Irving Park \$2,000 on the 2nd mortgage bonds as its share of the distribution, figuring, the value of \$222.19; we gave Park View \$8,100 of first mortage bonds, valued at \$203.61; we gave U. S. \$10,500 of second mortgage bonds, valued at \$206.69.

That meant that \$20,600 in bonds were given to the corporations and the bonds turned over to Mosser were re-

duced by that amount.

I had quite a bit of confidence in all the people in my office or they would not have stayed. On Page 807 of the transcript, questions were asked about bonds numbered in the cases of exchanges. Mr. Marquiss thinks that where several bonds are tied together in Schedule 2-1 an exchange of bonds is indicated. In showing the profit or loss, I think we took the cost of a bond purchased and then took the sale price of a substitute bond. When the bonds were exchanged. It was simply done as an accommodation without profit or loss. We frequently exchanged bonds as an accommodation to the owners.

In one case an estate held \$1,000 bond. I gave them ten \$100 bonds in exchange so that they could make distribution. I did not make a record of the number of the bonds because I considered numbers of no consequence.

I was interested only in having a right total.

Further, it was better for us to have bonds of larger denomination and cancel bonds of lower denomination. This saved expense (in making interest payments).

Aside from a transaction in which I received from Miss Johnson bonds of a larger maturity pending her ability to deliver bonds of an earlier issue, I never exchanged bonds with Colonial, Miss Johnson, Jacob Kulp & Co. or anyone else where I gave bonds of an earlier maturity for bonds of a latter maturity in the same issue.

I want to correct my previous statement (page 1089) and state that I have complete confidence not "quite a bit of

confidence" in my employees.

247 Hearing before Special Master Archie H. Cohen March 20, 1946

PAUL E. DARROW

Cross Examination by Mr. Roberson.

When I stated at Page 1079 of the record that Mr. Roberson asked that an account receivable of Federal be eliminated and distributed to the expense account, I didn't mean to imply that I was present at the discussion. Mr. Marquiss told me what was said.

As to anything that I stated took place at that time, I don't mean that I knew it of my own knowledge. I was told what took place, I was not present at the meeting.

I think I stated that the discrepancy of \$2,065 (see Page 1081) arose through the elimination of the cost and purchase price of certain bonds and the inclusion of a profit. However, Marquiss could answer the question better than I can.

(Mr. Herriott stated that if you eliminated both the sales and cost price it still would not correct the account. That he was a little uncertain as to what the explanation was and that he understood Marquiss would come in and explain what had happened.)

PAUL E. DARROW

Cross Examination by Mr. Mulfinger.

In the Jacob Kulp & Company bankruptcy filed in 1936, Burke Williamson represented me and I conferred with him more than twenty times about the matter. I had forgotten it until I checked up afterwards. I learned part of the assets consisted of numerous claims against the subsidiaries.

I presented a petition to the court which appointed me

for leave to purchase some of the assets.

I filed a petition to purchase some of the books and records. The reason I merely asked leave to purchase the books and records and not the assets was because as far. as I knew these were the only things of value to the trusts in Jacob Kulp & Company. We couldn't have operated without the books and records. I didn't know that the claims that Jacob Kulp & Company allegedly had against the subsidiaries would affect the subsidiaries because at

that time the claims were considered worthless.

I don't know whether or not they were valid claims. My attorney presumably looked that up. I participated in the reorganization of the subsidiaries and I permitted the claims of Jacob Kulp & Company to be set up as valid claims. I presume I then knew that those claims would come ahead of the stock which I, as trustee, owned, but my attorney was handling the whole business. Whether the equity would be of any value in the future nobody knew. I was not interested in who was purchasing these claims.

As far as I know, no objection was made to any of these

claims, unless my attorney objected.

I had no personal dealings or written communications with Michael Tauber & Company in connection with the purchase of these books and records. I don't know to whom I delivered the checks for the purchase of the books and records.

I don't find the place in my accounts where these payments are set forth, but Mr. Marquiss could probably tell you.

MYRTLE JOHNSON

(Cross examination by Mr. Mayer)

At Page 468 and at Page 286, there appears a statement as to the contents of Lot 2. In both places the records state that Lot 2 contained \$286,100 in Federal bonds. At Page 468, the records shows 62,358 shares of Federal and at Page 286 the records show shares of Federal in the amount of \$623,580. At Page 468, the records shows

10,761 and 3/5ths shares of National and at Page 286 the record states that the shares of National were in the amount of \$269,040. The shares are correctly stated in each case because the declared value of Federal shares is \$10.00 and the par value of the National shares is \$25.00.

(A statement of the securities from Lot 1 in the Seligman matter delivered to Darrow was marked S.E.C. Ex-

hibit No. 21 for id.)

The contents of said exhibit are all enumerated in detail at Pages 413-415 of the record.

(S.E.C. Exhibit No. 21 was received in evidence.)

The checks in the total amount of \$12,447.55 employed for payment of these securities were made payable to Colonial.

249 From 1935 through 1943, during Darrow's trusteeship, I was an officer of Colonial holding the position of secretary.

Jacob Kulp was President during all of that time. Lee H. Kulp was treasurer part of the time and during the

balance Jacob Kulp was treasurer.

Hillman L. Robinson and Harry A. Hirst were vicepresidents. That is all the officers. I can't remember whether all these parties, aside from Lee Kulp, were in office during the entire time Darrow was trustee, but Jacob Kulp and I were officers during the entire time. I can't say how long Lee Kulp was an officer. He was out of our office from 1933 on and was not active after he left.

MYRTLE JOHNSON

(Further examination by Mr. Mulfinger)

Robinson and Hirst were officers and were active as salesmen. Although, Jacob Kulp was president of Colonial, I would say that I actively directed the operations of the company more than he did.

250 Hearing before Special Master Archie H. Cohen April 5, 1946

PAUL E. DARROW

(Cross examination by Mr. Mulfinger)

I paid \$750 to Jacob Kulp due Michael Tauber & Company for what I received as trustee of the two trusts from

the assets of Jacob Kulp & Co. bankruptcy. That is the amount we paid for the books, records and coupons.

Of that \$750, Federal paid two-thirds and National one-

third.

Federal paid \$500 and National \$250. I was told that this morning by Attorney Burke Williamson.

I don't know whether I received a bill of sale from Mr. Williamson obtained the court order and

told me to make out the checks and I did so.

I don't remember to whom I gave the checks. They must have been mailed or delivered. I received nothing in return for the checks, as we already had the books and coupons in the office all the time. I received no evidence of ownership that I know of. Very probably Miss Johnson knew more about the mechanics of the transactions than I did.

MYRTLE JOHNSON

(Cross examination by Mr. Mulfinger)

I knew the sale was to be held in the bankruptcy of Jacob Kulp & Company, and I believe I discussed it with

Mr. Darrow.

I also discussed it with Mr. Lowenthal, the attorney. I' may have discussed it with Mr. Williamson, and I believe I spoke to Mr. Goldman about it. I had no personal contact with Tauber at that time. I believe Lowenthal handled the matter for me. He represented the bankruptcy of Jacob Kulp & Co.

Shortly after the sale some of the assets came into my possession. That was about November 5th or 6th, 1936.

I paid \$800 by check for said assets.

I used my personal check drawn on the Continental National Bank. I received delivery of certain securities and an assignment covering the accounts. I believe the \$800 check was handed to Lowenthal, and I think he delivered the securities to me.

I don't remember whether I received a bill of sale. In the Federal group, the accounts receivable totalled approximately one hundred thousand dollars, and in the National group \$61,000. That includes the trasts themselves and

the subsidiaries.

Among the accounts receivable that I purchased was a claim against Crandon Shore Building Corporation. I am not sure that \$9,024.19 was the exact figure, but it is substantially correct because it is close to the figure in the report of Scovell, Wellington and Company which was prepared as of May 31, 1935. Said report deals with the financial condition of Federal, National and the subsidiaries.

Among the accounts receivable purchased from Tauber was a claim against Postal in the sum of \$30,529.68. I participated in the reorganization of Postal. Said receivable was set up as a valid claim against Postal in the Plan of Reorganization. In the reorganization proceeding, it appears that the receivable was "due Jacob Kulp & Co. as of June 17th, 1935". I had purchased that claim in 1936.

The Plan of Reorganization was dated December 31, 1937. I know of no reason for setting up that the receivable was due Jacob Kulp & Co. other than that it was on the books of Postal. Another receivable purchased was against Los Angeles in the amount of \$2,175.04. I also participated in that case. That claim was set up as a valid claim against Los Angeles.

One of the receivables was a claim against McKinley Park in the sum of \$6,658.09. That claim was allowed in the sum of \$6,204.05, and is set up in the reorganization

as due Jacob Kulp & Co. as of May 31 (1935).

I participated in the reorganization of McKinley Park. (Mr. Herriott stated: "Going back to Postal. That receivable is shown in the plan as due Jacob Kulp & Co. as of

June 17, 1935.)

252 The plan for Postal was approved December 31, 1937. There was no reason that I know of for leaving out the name of the owner of the account. I participated in the reorganization. The claim was allowed to remain as it was with no interest and no payment could be made on it until all bonds were retired. I have received nothing of value upon said claim.

The figures were prepared for the reorganization by Marquiss, and I relied on his statements. I did not furnish all the data. The attorneys came to the office for conferences and I participated therein. There was a receivable due from Berwyn Post Office in the amount of \$3,141.67

which we purchased from Tauber.

In the plan of Berwyn there appears the claim to Jacob Kulp & Co. in the sum of \$2,995. It does not refer to a date, but that is the amount given in the schedules of May 31, 1935 of Scovell, Wellington. I also participated in the plan of Berwyn.

The claim against Crandon Shore heretofore mentioned was not included in any plan of reorganization because in that case there was a straight foreclosure and the claim

was wiped out.

One of the claims of Jacob Kulp & Co. was against Ferry Station for \$34,864.21 and that was allowed in the reorganization. One of the accounts which I purchased from Tauber was a claim against Grand Rapids for \$3,-463.87 and that claim was allowed in the reorganization.

There was a reorganization of Irving Park, and I participated therein. One of the claims I purchased from Tauber was against Irving Park. If the amount shown in the plan was \$4,472.86, that is correct. The amount shown by Scovell, Wellington varies a little from that figure.

They show \$4,060.27, but there is a difference in dates. The claim was allowed against Irving Park. I am not sure that I purchased the claim of \$1,507.11 against Park View from Tauber & Co. I do not find anything about such a

claim in the Scovell Wellington report.

North Halsted was reorganized by Darrow and me without court procedure. We extended the bonds and reduced the interest rate without disturbing any claims. If the statement of Jacob Kulp & Co. shows a claim against North Halsted for \$3,856.45, I purchased that claim from Tauber & Co.

I also purchased a claim against National in the sum of \$48,373.39. Chicago Merchandise Certificates was a company that Kulp and I were working on during the World's Fair. It issued merchandise certificates and sold them to

the stores.

It was a sort of premium like trading stamps. One of the claims which I purchased from Tauber was a claim against this company for \$5,888.76. As I recall it, no individual claims were filed against these corporations. However, the attorneys handled the reorganization details. Furthermore, the claims which I purchased from Tauber were not in my possession at the time the plans were worked

I think there was a blanket claim filed on the obligation of the companies. A very short time after I received the accounts receivable from Tauber, I delivered them to Joseph Baumann, a step-son-in-law of Jacob Kulp. Baumann paid me the amounts still due me over and above the sum I had received for which I sold certain of the assets.

I didn't make out a bill of sale. I merely turned over the accounts receivable which were in blank. He paid me approximately \$400 in cash in Chicago. I turned over all the accounts receivable to Baumann and kept the other assets of Jacob Kulp & Co. received from Tauber. I do

not now have those assets.

I sold all of them. They included a first mortgage bond of Park View in the face amount of \$100. I soon sold it either to National or the Chairman Account, and I think the price was \$25.00. There were also three first mortgage bonds of Windsor Shore totalling \$1,500. I sold them either to the issuer, National or the Chairman Account at a price of 20.

254 I realized \$300 on the transaction. Among the assets

I purchased were coupons of Federal in the amount of \$474.50. I turned them all over to Darrow. These were coupons that were past due and have been paid by Kulp & Co. There was also a United States Parcel Post first mortgage bond of \$100.00 among the assets. Shortly after the purchase, I sold it to the issuer, Federal or the Chairman Account for \$25.00.

Among the assets I also received 40 shares of Prince and Whitely Trading Corporation common stock dated May 15, 1930. It was worthless. I also received 26 shares of Missouri-Kansas Pipe Line common stock, which I still

retain. I keep no books other than my check book.

The 2,200 shares of Railroad Shares Corporation common stock, which I received from Tauber at that time, had no value; and I think I still have them. I don't recall anything else of value which I obtained from Tauber and which had formed part of the assets of Kulp & Co. In making the purchase from Tauber, I was acting for Mr. Baumann on the accounts receivable by previous arrangements.

Baumann, Kulp and I had some discussion about the matter prior to the sale. Prior to the sale, it had not been determined what assets I was to receive and what assets Darrow was to receive out of the Kulp & Co. assets. I

made, the purchase from Tauber about November 6, 1936. The sale took place on October 31, 1936. As I recall, Lowenthal, now deceased, made the arrangments with Tauber

for the sale of the assets to me.

Melvin Goldman, who was probably not out of school at the time, had nothing to do with the arrangements. I don't recall that he delivered the securities to me. Mr. Lowenthal made the arrangements.

MYRTLE JOHNSON

(Examination by the Master)

With regard to all of the accounts receivable that I obtained through Michael Tauber & Co., I did not notify any of the companies obligated to the bankrupt that the accounts had been assigned or delivered to me and that I was the owner.

So far as I know, Mr. Baumann did not notify them 255 either.

MYRTLE JOHNSON

(Cross examination by Mr. Roberson)

Prior to the purchase of the assets. I think I had conversations with Darrow with reference to all the matters concerning Jacob Kulp & Co., including the purchase of the assets. There were a number of discussions about the

coupons, books and records.

The history of the 27 companies and the two trusts were embodied in the books and records of Jacob Kulp & Co. Thus, it was important that Darrow have the books and records. I had conversations with Darrow pertaining to Kulp & Co., from the time of his appointment in May of 1935. Kulp & Co. went into bankruptcy in 1936. The fact that the sale would take place on October 31, 1936, was public information; but I had no discussion with Tauber prior to October 31, 1936, about the sale. Neither did Darrow-to my knowledge.

Mr. Lowenthal discussed the matter with Tauber.

Prior to the sale of October 31, 1936, I had Leo B. Lowenthal discuss the matter with Tauber on my behalf. This had nothing whatever to do with Darrow. I did not want any of the accounts, coupons or other assets to come into

strange hands. There were approximately \$91,000 in coupons among the Kulp assets. That would make trouble in the reorganization if they were in the hands of the public. The accounts receivable were of questionable value, but I did not want them in the hands of strangers. The other items were inconsequential. The important things were the books, records and coupons.

I told Lowenthal that I and the party I was acting for greatly desired to be successful bidders in the sale. I gave him the figure of \$1,500 with an authority to increase it to \$10,000 if there were outside bidders. I was not at the

public sale.

I assumed that Tauber bid in these assets, acting on my instructions to Lowenthal. Arrangements for compensation were not made to my knowledge. In fact, I do not know what Tauber paid for the assets. I may have known at the time that they paid \$1,500, but I don't remember it now.

Lowenthal filed the voluntary bankrupt petition for Kulp & Co. After the assets had been acquired by Tauber, Darrow obtained the court's permission to pay a certain amount for the books, records and coupons. He filed his petition after I had arranged with him that he could participate in this transaction to that extent.

Although Tauber did not as yet have possession, he was the nominal owner of all the assets, including the accounts receivable and books and records under a bill of sale from Maurice Klein, the Trustee, and he held them for my bene-

fit.

(In answer to the question whether the witness sold the books and records to Darrow after he received court authority or directed Tauber & Co. to make the transfer, she

said—I can't remember the details.)

I know I made out my check for \$800 and Darrow made two checks. The three checks were made to Michael Tauber & Co. As I recall, Darrow delivered the checks to me, and I gave them to Lowenthal with my check. There were three checks and Mr. Darrow went in it with me.

The three checks were all delivered by Lowenthal at one time. Lowenthal did not obtain the accounts receivable, coupons, books and records and deliver them partly to me and partly to Darrow. When Klein was appointed receiver, we arranged with him for the books and records

to remain in the office of Kulp & Co. so that the subsidiaries could function. Consequently, it was not necessary to make delivery. That did not apply to the securities and other assets delivered to Tauber.

The only assets left in the possession of Kulp & Co. were the books, records and certain coupons. The face amount of the coupons was approximately \$91,000. They were secured by first mortgage and second mortgage trust deeds

of the various subsidiaries.

Whatever is in the bill of sale from Maurice Klein to Michael Tauber & Co. other than the coupons, books and records constitute the assets that I purchased for the \$800. Prior to the time I made the purchase of these securities, the arrangements were that I was to purchase them and deliver them to Baumann. I bought them with my own money and made out my own check. Prior to purchasing

them, I had not received an advance from anyone.

257 As I previously testified in regard to the securities of Park View and United States Parcel Post Building, I disposed of them for a total of \$350. I do not believe that there was anything else that had any value except the stock that I referred to and that is valuable now. I had the understanding with Baumann and Kulp that I would liquidate the items that were easily converted into cash and would be paid the difference between the amount so realized and the \$800 I advanced. Since I realized \$350, I received the balance of \$450, which was thus due me.

This was paid to me in Chicago by Baumann and at that time I delivered the assignments of the accounts receivable. Mr. Goldman, the attorney, filed a claim in the Kulp

& Co. bankruptcy on behalf of Baumann.

The claim was based on a note which was originally \$90,000. The claim was for the balance of \$50,000 plus accrued interest from the date of execution in 1929. The claim included an account due Mrs. Baumann for securities delivered to Kulp about 1929 which had a market value of \$75,000 to \$80,000. That was a transaction between Baumann and Kulp & Co. It had nothing directly to do with the accounts receivable. The said loan from Baumann as well as the proceeds of the securities received from Mrs. Baumann were all used in connection with the operation of Kulp & Co. which was primarily concerned in the operation of these properties.

Jacob Kulp personally endorsed the loan from Baumann. Baumann's claim was originally secured by some stock of 22nd Street Building Corporation, the United States Building Corporation and a number of others. Kulp obtained Baumann's permission to substitute for the foregoing 10,000 shares of National Realty stock which Baumann still holds.

I have known Baumann thirty-three years. His address

in New York is in care of Baumann Bros.

He is a partner in the corporation engaged in the retail furniture business. Baumann usually came to Chicago twice a year for the furniture show. He knew that I was associated with Darrow but didn't know whether I was employed. (When the witness stated she thought Baumann knew Darrow was trustee of National and Federal, the court sustained the objection to the question.) I discussed with Baumann the entire situation relating to the

assets of the two trusts.

258 The first time we discussed the matter was when he received the collateral for the loans in 1929. Baumann or his daughter is holding the underlying securities.

The last time I discussed the matter of the trust with Baumann was in 1936 when he was here for Mrs. Kulp's funeral. He did not make trips to Chicago between 1929 and 1936 because business was quiet, and he made few trips from the time of Darrow's appointment in 1935. Baumann was never in our office but he met Mr. Darrow, I believe, in New York.

I never told Baumann what work I was doing for Darrow, as trustee. I don't believe I ever discussed with him my relationship with Darrow. He had the general knowledge of the type of work I was doing, having known me for many years and having purchased securities on the properties we financed. I don't think he met Darrow by

reason of Kulp's or my association with Darrow.

I previously mentioned that when we were arranging for the assets through Tauber of Kulp & Co. there were conversations between Kulp, Baumann and myself. Darrow was not present at any of the conversations. I discussed the matter with Baumann on the long-distance telephone. He did not come to Chicago to make arrangements for the purchase. Later, when he came to Chicago for another purpose, I delivered the securities to him.

Within a few months after the purchase, I delivered the accounts receivable to Baumann and received the \$450.

This took place in Kulp's home in Chicago. Baumann never came to our office, as far as I can recall. Over the period since 1935, I have talked to Baumana probably

twenty or thirty times.

I don't believe that I discussed with him the type of work I was then engaged in doing for Darrow. I didn't tell him what position Darrow occupied and no one else told him, to my knowledge. In my correspondence with Baumann, I probably used my own stationery and in some cases that of Colonial Securities. I never corresponded on the letterhead of Federal or National because I would not be writing on behalf of the trusts. I would be writing on behalf of Colonial, Kulp or myself.

Baumann had business dealings with Colonial and 259 had bought a number of bonds from Colonial. He addressed his letters to me at the office of Colonial. I never informed Baumann of Kulp's or my arrangement with

Darrow, as trustee.

I told him National and Federal were in reorganization, but I do not believe I told him who the trustee was. Kulp made the arrangements with Baumann relating to Colo-

nial and the interest Baumann had in National.

Thus, there would be conversations between Kulp and Baumann at which I was not present. I did not make any profit out of the purchase of these securities through Tauber nor did Kulp make any profit on them, nor did Baumann make any profit. All that Baumann paid for the receivables was \$450.

MYRTLE JOHNSON

(Further Examination by Mr. Mulfinger)

Among the assets which I received from Tauber were some worthless first mortgage gold bonds of Kraus Bros. Lowey Company. I knew that they had been appraised

in the bankruptcy proceedings at \$625.

As I previously said, my primary motive was to see that these securities did not get into unfriendly hands. wanted to keep the coupons especially out of unfriendly I had in mind that Baumann should hold the accounts receivable as additional collateral for the indebtedness owed him. I think I was protecting the interest of the subsidiaries because somebody might try to collect these accounts.

This would make quite a bit of trouble in the reorganization. While in his hands they would be allowed to lie dormant.

MYRTLE JOHNSON

(Further examination by Mr. Roberson)

I did not discuss with Darrow the advisability of his purchasing the accounts and holding them.

260 MYRTLE JOHNSON

(Further examination by Mr. Courshon)

I testified that I wanted the accounts in the hands of Baumann as additional collateral to the 10,000 shares of National he already held. Jacob Kulp, individually, had delivered to him the National shares. If Kulp paid Baumann the money he owed, then all this collateral would come back to Kulp. These claims were allowed in the reorganization of the various subsidiaries. They were to be paid after the first mortgage bond issues had been retired.

I arranged with Baumann and Kulp to purchase the accounts receivable on behalf of Baumann through Tauber and Company. I had not discussed that with Darrow at that time.

I made the arrangements with Mr. Lowenthal on behalf of Baumann who was to put up any additional funds that were necessary. It was not necessary for me to receive \$1,500 from Baumann because I discussed with Darrow the necessity of our having the books and coupons and he agreed to pay \$750 for them.

He secured a court order to pay \$750. I had him issue checks for that amount, and I issued a check for the balance. I do not know what amount Tauber paid the trustees—\$1,500 or some other amount. Darrow's two checks were for \$750.

I do not know whether any commission was paid to Tauber. I paid them \$1,550, and I do not know what they paid. I paid them no bonus.

I just paid \$1,550. I did not act in respect to the assets of Kulp & Co. on my behalf.

MYRTLE JOHNSON

(Cross examination by Mr. Herriott)

This was a public sale in the Bankruptcy Court with open bidding. I sent word to Tauber to bid up to \$10,000 for the assets they purchased. If any other bids, they would have to go over \$10,000. After the purchase by Tauber on my behalf acting for Baumann, I discussed with Darrow the purchase of the books, records and coupons. Our arriving at the figure of what he should pay was "more or less shooting at a figure in the sky". The coupons amounted to approximately \$91,000. They were issued in connection with the first and second mortgages of the underlying companies. Although the books and records as such would have no intrinsic value that would be 261 necessary adjunct of the business for operating the trusts.

After we had arrived at the figure to be paid for the coupons, books and records, Darrow's attorney obtained the court order to pay that amount. My understanding with Baumann was that he was to get Darrow any of the assets of the public sale that I thought he should have in order to protect the two trusts. Baumann was interested only in obtaining the accounts receivable, which themselves were worthless, as far as collectibility was concerned.

However, when he had them, he would prevent any outsider from proceeding on the claims and obtaining a position better than Baumann had in the trusts. Baumann cooperated in working out the plans of the companies in which he owned securities. During the pendency of the Kulp & Co. bankruptcy, Darrow filed a petition asking that the claims shown by the schedules in favor of the subsidiaries against Jacob Kulp & Co. be considered as offset against the securities of the trusts and subsidiaries owned by Kulp & Co. The accounts receivable purchased by Tauber for the benefit of Baumann might to some person have a fair value at the time they were sold to Tauber of as much as \$10,000.

I have known lawyers anxious to obtain claims in reorganization cases in order to file them and receive fees. However, any such lawyer or any other person, including the trustees of these trusts, would have to bid over \$10,000 to purchase them. These coupons Darrow acquired for \$750 were held by him at the time of the reorganization and then cancelled out.

As trustee, Darrow obtained this benefit from the coupons: They were not in adverse hands and no consideration had to be given them. "They were cancelled, and the owners of the bonds with coupons of the same serials received no consideration of any kind for their coupons, and the persons that cashed them with Jacob Kulp and Company were preferred." In arriving at the amount paid by Darrow, I took into consideration the amount I had paid Tauber. The price to Darrow would have gone up correspondingly with the amount Tauber had to bid.

262 MYRTLE JOHNSON

(Further examination by Mr. Mulfinger)

I knew that some of these coupons were delivered to

Darrow by order of the Referee for cancellation.

In think the reorganizations were not completed at the time of this purchase by Tauber & Company. (Mr. Herriott stated that he understood these coupons were paid to the holders by Kulp & Co. on behalf of the trusts. Mr. Courshon added that payment was made out of the money which Mr. Kulp collected as rent for the companies.

The twenty-seven subsidiaries and the two trusts were not the only sources of income of Jacob Kulp & Co. There were other companies. Mr. Kulp was the operating agent of these properties. At the time these coupons were purchased, Jacob Kulp & Co. owed money to the various companies at the time they were reorganized. This money due the companies by Kulp & Co. was wiped out by the reorganization proceedings. I do not know whether or not Darrow withdrew the intervening petition he filed on behalf of the various trusts.

MYRTLE JOHNSON

(Further examination by Mr. Roberson)

These coupons delivered to Darrow were payable to the office of Jacob Kulp & Co. They had previously matured and have been presented by the owners of the office of Kulp & Co. where payment was made.

In some instances they were coupons for which funds were not deposited. At the time these coupons were paid, the companies did not have funds with which to pay them. Kulp & Co. picked them up and carried them on the books as not cancelled. Kulp & Co. advanced the funds on behalf of the subsidiaries. These coupons had been issued by companies that did not have credit balances with Jacob Kulp & Co. The issuers of the \$91,000 of coupons were not creditors of Jacob Kulp & Co. on open account.

263 I believe South Side Post Office had a credit of \$125.25 on its coupons; Irving Park had \$16.25; Station "D" had \$1.25 and the others were all companies who were not creditors of Jacob Kulp & Co. These coupons were paid by Kulp & Co. The latter showed on the books a debit item of the amounts of these coupons.

At that time Kulp & Co. were acting as manager of the properties of the subsidiaries not as payer of the coupons. Kulp & Co. was not expected to pay the coupons if it did not have the funds.

MYRTLE JOHNSON

(Further examination by Mr. Courshon)

If the schedules show that at the institution of the Bank-ruptcy Proceedings Jacob Kulp & Co. was indebted to Federal in the sum of \$3,006.25; and that Kulp & Co. was indebted to Chicago Post Office Building in the sum of \$88,221.47, that is the fact.

If the schedules show, it is true that Kulp & Co. was indebted to Columbus in the sum of \$32,641.88; to Station "D" for \$4,196.72; Dallas for \$40,256.80; Ferry Station for \$26.25; Irving Park for \$72.50; McKinley for \$178.75; North Halsted for \$26.25.

Quincy Station for \$172,224.75; Roseland Building Corporation for \$3,012.85; South Side Post Office, \$10,146.53; Twenty-Second Street Station, \$37,449.52; United States Building Corporation, \$22,858.74; Villa Building, \$6,554.55; Austin Station, \$24,270.84; Berwyn Post Office, \$80.00; 6748 Crandon Avenue Building, \$340.50; Division and La-Vergne Building, \$7,623.77; Postal Facilities, \$16.25; Grand Rapids Parcel Post, \$20.00.

LaGrange Post Office, \$20.00; United States Service Station, \$251.00; Ogden Park, \$6,461.95; Park View Manor, \$6,885.60; 6929 North Clark Street, \$12,705.23; Windsor Shore, \$4.581.67.

Paul E. Darrow as trustee of National and Federal, \$1,428.55. I do not know whether the figures are correct without checking the books.

I cannot say that each of the corporations had an item due from Kulp & Co. unless I checked the records.

264 The following is a break-down of the \$91,000 in coupons paid by Kulp & Co. as shown by the lists of

Scovell, Wellington.

Federal Facilities Realty Trust, \$474.50; Station "D" Post Office Building Corporation, \$1.25; Irving Park Post Office Building Corporation, \$16.25; Roseland Building Corporation, \$244.10; South Side Post Office Service Building, \$105.25; Villa Building Corporation, \$16.25; Austin Station Building Corporation First Mortgage, \$12,736; Austin Station Building Corporation Second Mortgage, \$5,192.50.

Crandon Shore Building Corporation, \$2,600.75; Postal Facilities, Incorporated Second Mortgage, \$10,653.50; Grand Rapids Parcel Post Building Corporation, \$1,202.50; Ogden Park Post Office Building Corporation, \$6,369; Park View Manor Building Corporation, First Mortgage, \$14,035.89; Park View Manor Building Corporation, Second Mortgage, \$22,098; Rogers Park Post Office Building Corporation, \$10,114.53; Windsor Park Station Building Corporation, First Mortgage, \$2,977.25.

Those figures total \$91,392.52.

These were the same coupons that Darrow received out of the assets of Kulp & Co., but he included the \$474.50 (due to Federal) that Mulfinger asked about. The figures Courshon just read off are the amounts due Jacob Kulp & Co. from the various corporations as of the dute of filing of the Kulp bankruptcy petition. These coupons were all paid by Kulp & Co. prior to their going into bankruptcy at varying dates.

The figures mentioned by Courshon show the amounts due to Kulp & Co. on open account as of the date of the Petition in Bankruptcy but do not reflect the status of the accounts between the bankrupt and the subsidiary corporations as of the date the coupons were paid. The figures do reflect the conditions of the accounts when the accounts

were sold in October of 1936.

265 Hearing before Special Master Archie H. Cohen April 10, 1946

CLAIRE M. MARQUISS

(Examination by Mr. Roberson).

I was in the employ of Darrow during 1935 and 1936. I recall that he signed two checks for the purchase of certain assets of Kulp & Co. As trustee of Federal, he executed one check for \$250.

As trustee of National, he signed another check for \$500. The checks were payable to Michael Tauber & Co.

There was no physical change in the location of the books and bondholders records after the purchase was made. They remained exactly where they were previous to the purchase from Michael Tauber & Company. The records were of considerable value in tracing back transactions, sort of checking back on the analyses of building costs and many other things in connection with bookkeeping and accounting work, where statements of one kind or another were required.

We resorted to those books from time to time. To my knowledge there were no securities purchased by Darrow

in addition to the books and records.

I think these checks were made out or delivered on November 4, 1936. I don't recall what was in the account of National and the account of Federal on that date, but there was money in each account. However, I do know that on October 31, 1936, the Federal balance was \$6,134.27, the National balance was \$361.18 and the Chairman Account \$6,802.98.

The Federal bank account was with the Northern Trust Company and the other two with the Continental-Illinois

National Bank and Trust Company.

EDWARD J. TURNEY

(Direct examination by Mr. Roberson)

For twenty-five years I have been employed by Michael Tauber & Co., 411 South Market Street, Chicago, Illinois. I am secretary-treasurer. We have records concerning the Jacob Kulp & Co. bankruptcy sale on October 30, 1936.

Our records show that we have acquired various securities and accounts receivable in the U.S. District Court on October 30, 1936, for \$1,500, and that we disposed of them

on November 5, 1936 to two parties, Paul Darrow, as trustee, and Myrtle Johnson. I did not attend the sale and my testimony is simply from the records.

(Bill of Sale from Maurice Klein, trustee, to Michael Tauber & Co., for \$1,500 was marked Trustee's Exhibit

No. 1 of April 10, 1946.)

(Mr. Herriott stated that Miss Johnson established that the books and records of Kulp & Co. were acquired by Tauber through this purchase and subsequently assigned to Darrow. This bill of sale says nothing about books and records.)

(Trustee's Exhibit No. 1 was received in evidence for

identification.)

When this bill of sale was received from Maurice Klein,

I don't know whether anything was attached to it.

(A copy of the Bill of Sale from Michael Tauber & Co. to Darrow was marked Trustee's Exhibit No. 2 of April 10, 1946; and a copy of attached sheet enumerating items covered by the Bill of Sale was marked Trustee's Exhibit

No. 2-A of April 10, 1946.)

(A copy of the Bill of sale, as shown by the records of Michael Tauber & Co. from Michael Tauber & Co. to Myrtle Johnson was marked Trustee's Exhibit No. 3 of April 10, 1946. A copy of a sheet marked Exhibit A, attached to said Exhibit 3, containing a part of the items covered by Exhibit 3 was marked Trustee's Exhibit No. 3-A of April 10, 1946. A copy of a sheet marked Exhibit A attached to said Exhibit 3 listing the accounts receivable in bonds passing under said Trustee's Exhibit 3 was marked Trustee's Exhibit No. 3-B of April 10, 1946. A copy of a sheet listing certain of the securities under Trustee's Exhibit 3 was marked Trustee's Exhibit No.

3-C of April 10, 1946.)

(Mr. Herriott stated that he did stipulate to the admission of Trustee's Exhibits 1, 2 and 3 of this date, subject to verification. He added that he had no objection to them, subject to finding something different when the originals were obtained. However, he said that he would not let them go in with the signature, which in no way are connected with Darrow or Johnson (referring to the signature of Melvin Goldman by way of receipt for Trustee's Exhibits No. 2-A, 3-B, 3-A and 3-C.)

(Trustee's Exhibit No. 1, 2 and 3 of April 10, 1946, were

received in evidence, subject to the objection regarding the signature of Melvin Goldman and the qualification regarding verification.)

EDWARD J. TURNEY

(Cross examination by Mr. Herriott)

I have no personal knowledge of who signed any part of the exhibits attached to the exhibits which have just been received in evidence.

All I know about the transactions is what I found in the records; our case records show that we received \$1,550.

My company paid \$1,500 to the bankruptcy trustee and sold what it then purchased to Miss Johnson and Mr. Darrow for \$1,550.

We paid \$1,500 for the assets. The entry of the \$1,550

was made in our cash book on November 6, 1936.

(A check from Myrtle Johnson to Michael Tauber & Co., in the amount of \$800 was marked Trustee's Exhibit 4 of April 10, 1946 and was received in evidence.)

MYRTLE JOHNSON

(Examination by Mr. Roberson)

Trustee's Exhibit No. 4 is the certified check on the Continental-Illinois National Bank and Trust Company dated November 5, 1936, which I delivered to Mr. Lowenthal uncertified for the assets of Kulp & Co. That check was in payment for the securities described in Trustee's

Exhibits No. 3, 3-A, 3-B and 3-C.

A claim in the amount of \$4,275.36 was allowed Jacob Kulp & Co. in reorganization of Irving Park.

The plan of reorganization had this provision:

"All unsecured claims against the debtor existing at the date of the approval of the petition herein, on May 25, 1935, shall be suspended and no action for the enforcement of the same shall be taken until June 15, 1950, and no interest shall accrue on such claims during said period. No statute of limitation shall run against said unsecured claims during aforementioned period."

MYRTLE JOHNSON

(Cross examination by Mr. Herriott)

Said plan under the heading "Article 3. Capitalization and Indebtedness of the Debtor as of May 25, 1935" includes this item: "Due Jacob Kulp & Company, Inc., \$4,375,36."

The plan was filed jointly by the debtor and a bond-

holder's committee.

MYRTLE JOHNSON

(Redirect examination by Mr. Roberson)

I think the plan was approved some time in 1936, probably the early part thereof. The plan was confirmed on January 18, 1937. The proceeding was under Section 77B. The claim of \$1,507.11 against Park View Manor purchased by me from Michael Tauber & Co. was charged off; it did not participate in the 77B reorganization.

I never received anything by reason of these claims and don't expect anything from Park View Manor. On Page 3 under the heading "Securities to participate", Paragraph

4 of the plan stated:

"Creditors holding securities evidenced by bonds issued pursuant to the first and second mortgage trust indentures above referred to and the stockholders of the debtor company shall participate in and be affected by this plan. This plan shall not affect the general unsecured open account creditors of the corporation, amounting to approxi-

mately six hundred and seventy-five dollars."

269 The item of \$675 represents unpaid current bills for operation, payable by the debtor in possession. When I bought the claim, it had already been wiped out. The plan for Park View Manor was confirmed June 25. 1935.

Said claim against Park View Manor was given no participation because Mr. Kulp agreed to eliminate it. There were no other claims in the same class as that of Kulp & Co. that were likewise eliminated.

MYRTLE JOHNSON

(Cross examination by Mr. Herriott)

The plan for Los Angeles under Article 10 provides that general creditors shall receive a voting trust certificate representing one share of stock for each \$100 of principal amount including interest of their claims. The plan states there was due to the assignee of trustee in bank-ruptcy of Jacob Kulp & Co., \$2,145.04.

MYRTLE JOHNSON

(Further redirect examination by Mr. Roberson)

This plan was confirmed on December 14, 1938. It was proposed by the bondholder's committee consisting of W. A. Westfall, Raymond T. Cragin, Louis Goldman and L. A. Rose. It was in fact a joint plan proposed by certain bondholders and the debtor. I believe that voting trust certificates representing a claim of Jacob Kułp & Co., which I had purchased were issued to Joseph Baumann.

I don't recall the amount of the certificate. So far as I recall, none of the other plans stated that the claims of Jacob Kulp & Co. was due to assignee of trustee in bank-ruptey of Jacob Kulp & Co.

270 Hearing before Special Master Archie H. Cohen April 22, 1946

PAUL E. DARROW

(Examination by Mr. Mulfinger.)

(An amendment filed by Paul E. Darrew to an intervening petition which he had previously filed in the Jacob Kulp & Co. bankruptcy case setting forth that various subsidiaries had claims against the bankrupt was marked Trustee's Exhibit No. 14 for id.)

I signed and swore to Trustee's Exhibit No. 14. In that document I list claims which the twenty-seven subsidiaries allegedly had against the bankrupt.

I also listed a claim of Federal for \$3,006.25. I obtained the information from the bookkeeper.

At the time I signed the amendment to the intervening petition, I believed that the bankruptcy was indebted to Postal in the sum of \$16.25. (In answer to the question as

to whether the witness appeared in court and offered evidence as to that fact, he stated.) I wasn't present and

didn't testify at any of the hearings.

I never appeared for the purpose of having this matter determined. I don't know whether there were any hearings and made no inquiry to find out. I never heard of any

ruling on the petition.

My attorney told me something about it but I had forgotten what. I don't remember whether I voluntarily withdrew the petition or not. Attorney Burke Williamson handled that matter for me. I understand now that Louis Goldman represented Baumann.

As far as I remember, I commenced work on reorganizing the subsidiaries within about a week after I took

271 office.

I believe my attorney informed me of the final decision of the court on the intervening petition. I partici-

pated in drafting the plan for Postal.

I actively participated in the promulgation of the plans of all the subsidiaries. I studied the plans and recommended to the court that they be adopted. I don't remember whether I knew prior to the Kulp & Co. bankruptcy that Baumann had an alleged claim against the bankrupt. I knew that Baumann had claims against a number of the properties.

It was my original idea to pay \$750 for the books and records of the bankrupt. I wanted them because they were necessary. I told Miss Johnson that I wanted the books, records and coupons and she said she would take care of it. I talked to my attorney about the matter. He didn't tell me that anyone who purchased the accounts receivable

would get the ledgers.

I discussed the matter with Miss Johnson and maybe with Mr. Marquiss and maybe my attorney. I don't believe that I knew that Miss Johnson was buying the accounts receivable and bonds. I knew she got some bonds because I bought some from her afterwards.

L didn't ask her what she paid for the bonds or the accounts receivable. The books and records of the bankruptcy were never out of my office during the bankruptcy proceeding, and were available to me at all times.

Several times I advised Mr. Kulp to go into bankruptcy. I received nothing at the time I gave Miss Johnson my

check but my lawyer had gotten an order allowing me to purchase the books and records so there was nothing for.

her to get me.

(Q: How did you find out that the books and records and coupons were to be sold?) I told Miss Johnson I would like to get the books, records and coupons. I was not interested in buying the claims against the subsidiaries because of lack of money. I don't remember whether we had six or seven thousand dollars in the Federal account at that 272 time.

PAUL E. DARROW

(Examination by Mr. Roberson)

I probably knew prior to October 30, 1936, that the books, records and coupons would be sold.

I don't remember whether I first found out that Miss Johnson bought the accounts receivable before the hear-

ings in this case or not.

I didn't know what Klein had sold to Tauber in the judicial sale. I presume that my attorney investigated to find out what was offered for sale. I told my attorney that

I ought to put in my claim, or he suggested it.

I don't remember whether or not I discussed with my attorney the question of buying the accounts receivable. I don't know now whether Klein offered for sale the books and records. I know I wanted the books, records and coupons and got them for \$750. So far as I remember, I didn't discuss with my attorney from whom he was going to get them. I left the entire matter of getting them up to my attorney-not Miss Johnson. I suppose my attorney was collaborating with Miss Johnson. At any rate, he got the court order.

Previous to obtaining the court order, I must have agreed with somebody, presumably Miss Johnson, to pay \$750, but I don't remember. I think I set the figure. The books and records remained in my possession during the

Kulp bankrupcy.

The books of the subsidiaries had corresponding entries reflecting all transactions of the subsidiaries and top trusts with Kulp & Co. The principal reason for obtaining the books of Kulp & Co. was to have available information as to who held the securities. They also reflected early costs or expenditures before 1934.

The information regarding the security holders of the subsidiaries was solely contained in the books of Kulp & Co. I think the subsidiaries had no independent records.

273 The records of the subsidiaries may have contained some information (regarding security holders) but I

know it was all contained in the Kulp & Co. books.

PAUL E. DARROW

(Further examination by Mr. Mulfinger)

I don't remember when I first learned that Joseph Baumann was the owner of the various claims against the subsidiaries. At the time I recommended the approval of the various plans of the subsidiaries I had satisfied myself that all claims allowed in the reorganizations were correct. The only time I knew specifically about claims in several of those reorganizations in favor of "Jacob Kulp & Company, assignee" was at a hearing here. I don't remember in any of the plans of seeing the name of Jacob Kulp & Company at all until a couple days ago.

I examined these plans but there are several things I probably forgot. I think the first time I learned that Joseph Baumann was the owner of these claims was at this

hearing. Miss Johnson never so informed me.

(Trustee's Exhibit No. 14 was received in evidence.)

PAUL E. DARROW

(Examination by Mr. Courshon)

I suppose I first learned that Tauber had bought the assets of Kulp & Co. when I made out the checks. I don't think I learned what they purchased or what they paid for it. I know that Kulp & Co. had certain accounts re-

ceivable against the subsidiaries.

I must have learned this before I purchased the books and records because the petition that I filed listed them. When I made out the checks to purchase the books and records, I did not inquire as to what happened to the other assets or what had been paid for them. At the time I purchased the books and records I knew that Kulp & Co. had

accounts receivable due from the various subsidiaries.

274 I knew that shortly after I became trustee. I don't

remember whether I took any action to attempt to acquire

the accounts receivable.

I think that I told my attorney something should be done in the matter. I don't know whether I abandoned the claim.

I knew that Jacob Kulp & Company or assignee had

filed claims against some of the subsidiaries.

I didn't le objections, so far as I know. I was president of the various subsidiaries and the debtor was left in possession. I don't remember what was done in regard to the claims against the subsidiaries. Mr. Williamson handled the details. Claims were allowed against some of the subsidiaries.

I know that one was allowed against Los Angeles. I think the claims were just and all the just claims were

allowed.

According to Trustee's Exhibit 14, I filed a claim against Kulp & Co. of \$16.25 on behalf of Postal. I don't know how I determined that Kulp & Co. owed Postal \$16.25 if Kulp & Co. had a \$30,000 claim allowed against Postal.

I believe that everything my attorney did was done

with my knowledge and consent.

I believe that when my attorneys filed these claims against Kulp & Co. they did so with my knowledge and consent. I take the responsibility for any acts as trustee which were done by my attorneys or by me personally.

In determining the validity of claims filed against the subsidiaries, I was using my own judgment. I thought the accounts receivable against the subsidiaries had a nuisance value. I presume I would have paid \$1500 for them but

it is all a matter of guess.

Johnson had instructed her attorney to have Tauber & Co. bid as high as \$10,000 for those assets. So far as I remember, I didn't discuss it with her, nor did she tell me that she was going to buy the assets.

I probably, learned prior to these hearings, that Miss Johnson bought them through Tauber, but I don't re-

member.

If it wasn't for these questions, I would still say that I think that Jacob Kulp & Co. owed Postal \$16.25, but now I am in doubt.

PAUL E. DARROW

(Further examination by Mr. Roberson)

I realized that the value of the equity of the top trusts depended upon the number of claims allowed in the plans of the subsidiaries. I realized that the insertions in the plans of the claims of Kulp & Co. had the effect of placing these claims between the bondholders claims and the equity of the top trusts.

I think I made an effort to minimize as far as possible the claims in favor of Kulp & Co., and I think my peti-

tion was part of the effort to offset the claims.

I did not at all times follow up what my attorney did. I am satisfied my attorney told me everything of importance that was done but I now have no knowledge whether I knew that my asserted claims against Kulp & Co. were drawn out.

In regard to the set-offs which I asserted against the claims of Kulp & Co., I suppose that all proper set-offs were allowed.

I would guess that my attorney checked the matter.

I do not know whether in any particular plan of the subsidiaries the claims by Kulp & Co. were reduced by amounts owing from Kulp & Co. to that subsidiary.

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CLAIRE M. MARQUISS

(Examination by Mr. Roberson.)

(A document setting forth the amounts of cash on hand and in bank belonging to Jacob Kulp & Co. from December 21, 1924 through June 30, 1934, was marked SEC Exhibit 22. A summary of the balances in building and cash accounts at the end of each year from December 31, 1924 to December 31, 1933 and as at June 30, 1934 on the books of Jacob Kulp & Co. was marked SEC Exhibit 23 for id. A document containing certain data relating to the reorganizations of the subsidiaries of Federal was marked SEC Exhibit 24 for id. A document containing certain data relating to the reorganizations of the subsidiaries of Federal was marked SEC Exhibit 25 for id.)

(SEC Exhibit 22 and 23 were received in evidence sub-

ject to verification.)

So far as I can recall, Jacob Kulp & Co. had no other bank accounts than those shown on SEC Exhibit 22.

The funds that went into the bank accounts shown on SEC Exhibit 22 came from the rents of the buildings which Jacob Kulp & Co. operated.

(The master stated that the answer would be limited to the time when the witnesses commenced working for Jacob

Kulp & Co., which was December 1928.)

I might add that Jacob Kulp & Co. had capital of \$100,000 which is presumably reflected in the cash balances in some measure. I am not in a position to say positively that all of the cash balances were derived from rental income.

(In view of the witness's statement that he was not positive, the Master sustained the objection and struck

the answer.)

From the time I started in its employ, Kulp & Co. managed these twenty-seven properties, which are the subsidiaries here, and the income was collected by Kulp & Co. and deposited in bank accounts of Kulp & Co., as shown in SEC Exhibit 22.

Some of the income derived from these twenty-seven buildings was included in the item noted "cash on hand" in Exhibit 22. Jacob Kulp & Co. had capitalization of \$100,000 which presumably would be a portion of the items shown on Exhibit 22.

I personally made deposits.

Possibly Miss Johnson handled some of the deposits. All of these accounts were directly kept by me under Miss Johnson's supervision. I started working there in December 1928 and cannot say of my own knowledge that any of the capital represented a deposit.

I don't know whether the \$100,000 capitalization was put in at one time or not. At any rate, it had all been contributed prior to the time I went to work for Kulp & Co. I don't know whether that capitalization contribution rep-

resented cash.

The practice was to deposit such cash receipts as came in in the bank accounts of Jacob Kulp & Co. Whatever cash Kulp & Co. had on hand or in banks was not separated from the cash receipts from these twenty-seven building corporations. These practices persisted during the time Kulp & Co., was in operation and ceased in 1933.

As of July 31, 1933, Kulp & Co. had the following bank accounts and cash:

Continental Bank \$3,636.60

New York Trust Company 98.12

Chemical Bank 8.45

Cash on hand in the office 2,680.34

Kulp & Co. ceased operating these buildings, it did not cease operating fragments of its own business. During the balance of the year 1933 that money was used in the operation of Kulp & Co., but how it was used I cannot say.

Mr. Andresen succeeded Kulp & Co. in the operation of these twenty-seven buildings after July 1933. The rents of the twenty-seven buildings had been collected by Kulp & Co. and deposited in its bank accounts. A current account was kept of each building which was credited with each deposit of its funds.

There was an account in the name of "Jacob Kulp, Trustee" in which certain of the deposits were made. That account with the Foreman National Bank is shown in Exhibit 22. Rents from the buildings went into that account. I don't know how a selection was made of the cash items which went into that account as distinguished from the Jacob Kulp & Co. accounts.

I don't recall having had any specific instruction with reference to making deposits of any of the rentals in the trustee account of Jacob Kulp. The balances shown on Exhibit 27 may have been considerably increased at times. The funds in this trustee account were used for the operations of the buildings.

I mean the buildings included in the deposit but I can't say which ones those were. I don't recall why the trustee account was discontinued after December 30, 1931, but it was discontinued. Then funds formerly in the Jacob Kulp, Trustee, account and of the Jacob Kulp & Co. accounts were carried in one account in the several banks.

The receipts that were put into these accounts were used to meet the cash requirements of the buildings and the operation cost of the buildings. Bonds that came due were retired, coupons were paid and the expenses of Jacob Kulp & Co. were also paid. So that out of the single general account carried in the name of Jacob Kulp & Co. in the several banks listed on Exhibit 22 and out of the cash on hand, Jacob Kulp & Co. paid the current

bills and the expenses of the twenty-seven buildings and the current bills and expenses of Jucob Kulp &. Co.

Accounts were kept to show an account current with each building and every disbursement or receipt which affected a certain building company was reflected in that account current so that at all times it showed whether Kulp & Co. owed the building or the building owed Kulp & Co. The obligations of Kulp & Co. for the expenses of Kulp & Co. were shown in the expense account of Kulp & Co.

Their books and records had a separate account for each building to show what income and disbursements there were as affecting each building and there was a separate account for Jacob Kulp & Co. showing its income and disbursements and whether the building owed Kulp

& Co. or Kulp & Co. owed any of the buildings. .

In SEC Exhibit 23, the figures in the column headed 'credit'', reflect the credit balances that Jacob Kulp & Co. owed the buildings at that time.

I am familiar with the books and records of Kulp & Co. and the practices of keeping accounts in those books.

The figures in the column headed debit apparently indicate the debit balances due from those companies (SEC

Exhibit 23) to Kulp & Co.

The bank accounts in these banks were used in the payments of obligations of the subsidiaries when the credit so far as the books reflected credit to each of these accounts was less than the amount paid out. That was the practice all the time with respect to the handling of these funds in payment of obligations by any of the subsidiaries. In other words, the e were in the nature of advancements where the moneys were drawn for a subsidiary before the actual deposits were equal to the moneys withdrawn to pay their obligations. The same is true with respect to payment of operating expenses of Kulp & Co.

Disbursements on behalf of Kulp & Co. were made out of these bank accounts and cash on hand irrespective of the amount of credit that Kulp & Co. had in these bank accounts and cash c., hand. These disbursements were general operating cosis of the business, such as salaries,

rent, electric light and stationery.

280 In the earlier years; there were no management fees charged to these buildings, but I believe in the latter years there were some charges.

On any occasion that Kulp & Co. had to spend money,

it was taken out of the bank account.

All bills of Kulp & Co. and all expenses of whatever nature were paid out of these bank accounts or cash on hand, to the best of my knowledge. Separate bank accounts were instituted for each of these subsidiaries about September 1, 1934. Prior to that time, two or three

buildings had separate accounts.

In such case, the trustee collected the rents, retained a portion that was covered by the requirements of the trust-indenture, and credited the balance to the bank account in the name of the company. The New York Trust Company was the trustee for Postal and followed the above mentioned procedure all during the running of the bond issue, including the period prior to 1934. I believe Ferry Station was handled in the same manner.

The New York Trust Company in those two instances collected the rents. Those are the only two subsidiaries handled in that way, so far as I now recall. After the payments required under the trust indenture, the balance would be deposited to the credit of the two companies in

their bank accounts, if I remember correctly.

The checks against these accounts were drawn by the officers of the companies who were Kulp and Johnson. The indenture trustee had no right to draw against these accounts.

The totals of cash on hand and in bank as shown on SEC Exhibits 22 and 23 do not include any cash balances which might have been to the credit of Postal and Ferry in their individual bank accounts. The reason is that those two accounts were in the names of the two subsidiaries.

Some of the expenses of the two companies might be paid out of their individual accounts or the funds might be transferred to the general account of Kulp & Co. The only expenses paid out of these recounts were for the two companies. Any other usage that might be made of that money would be made through Jacob Kulp & Co.'s drawing down a portion of it and crediting it on its own books. The only manner in which Kulp & Co.

would use funds out of those accounts would be by having the officers draw against those funds for deposits to the credit of Kulp & Co. and then it went into the general accounts the same as the funds we have been discussing.

As I recall, Jacob Kulp was President and Treasurer and Miss Johnson was secretary of both Postal and Ferry. Mr. Kulp was also President and Treasurer and Miss Johnson was secretary of Jacob Kulp & Co.

The bank accounts in which these particular funds were

deposited were used to pay expenses of Kulp & Co.

I don't recall that any other subsidiary besides Postal and Ferry had separate bank accounts. Jacob Kulp & Co., from the time I went to work for them, had other sources of income beside the rental receipts from twenty-seven subsidiaries. It had income from the sale of bonds of the subsidiary companies. The bonds were taken from the companies at a standard bond discount and sold for par by Jacob Kulp & Co. I don't recall any other source of income or receipt than the income from the sale of bonds.

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(A document containing certain data relating to claims in the reorganization proceedings of three subsidiaries of Federal, namely, Ferry, Irving Park and McKinley Park, was marked SEC Exhibit 26 for id. A document containing certain data relating to claims in the reorganization proceedings of three subsidiaries of National, namely, Berwyn, Los Angeles and Postal, was marked SEC Exhibit 27 for id.)

JOHN I. MAYER.

(Examination by Mr. Herriott)

My name is John I. Mayer. I am an attorney-at-law, and one of the attorneys of the objector, Securities and Exchange Commission. I prepared or helped prepare SEC exhibits 24 and 25. The work I did was confined to an examination of the records in the United States District Court of the Northern District of Illinois, Eastern Division, and the information was gathered there by Mr. Kelly and myself from the files in the Clerk's office: I exclude from the information gathered from that source

the cases that were handled through State Court foreclosures and those cases in which there was no reorganization and one in which there was a voluntary reorganization.

"No reorganization" as used on Exhibit 24 means that we understood that no reorganization had taken place and we left that to be verified by the attorney for Darrow, Darrow or Miss Johnson.

In Exhibit 24 where the word "none" appears in the column "Provision for claim of Kulp & Co. in Plan", it means that we found no record of a claim by Kulp & Co. having been filed. In the next column where the word "none" appears in the column headed "Provision for Claim of Kulp & Co. in Plan", that means that no provision was made for any claim of Kulp & Co. for the plan of that particular subsidiary. As far as any specific provision for an unsecured claim is concerned.

We weren't considering any possible claim that might possibly have been based upon ownership of bonds or any other securities.

We didn't purport to cover any claims except those of Kulp & Co. I am not certain whether provision for any other unsecured claims was made in cases where no provision was made for an unsecured claim for Kulp & Co.

I examined the plans of Ferry, Irving Park, McKinley Park, Los Angeles, Postal and Berwyn to determine whether or not a provision was made for a claim asserted by Kulp & Co, or an assignee of Kulp & Co. and to see how those plans were treated in the plan. In most of them, provision was made that the statute of limitations would not run against those claims but the holders would not be allowed to assert claims against the reorganized company until either the bonds had been paid or the maturity date had been reached. However, I believe that in the case of Los Angeles provision was made for giving to the claimant voting trust certificates representing stock of the reorganized company. In that case, the provision was that for each \$100 of ensecured indebtedness a voting trust certificate representing one share of stock would be issued.

An examination of the Los Angeles amended plan indicates that prior to the reorganization the corporation had

100 shares of common stock of no par value issued for \$1,000. The plan authorizes the increase of the stock not less than 14,305 shares of no par value, all of which was to be placed in a voting trust.

Thus, the holder of the claim of Kulp & Co. received either 21 or 22 shares represented by voting trust cer-

I do not know whether the books of Kulp & Co. or the books of the various subsidiaries would show if Kulp & Co. had any claims against the subsidiaries; but in Exhibits 24 and 25 what we purported to show was whether or not a claim was actually filed on behalf of Kulp & Co. or its assignee.

In Exhibits 24 and 25 the column headed "Claims of Kulp & Co. Filed" is not intended to indicate whether or not Kulp & Co. had a claim against the subsidiaries

but whether a claim was filed.

In column 5 of SEC Exhibits 24 and 25 we have set forth the cases in which an attempt to assert claims.

was actually made by Kulp & Go. or its assignee.

For example, in the case of Irving Park, a claim, was filed for \$4,375.36 and provisions for the claims for the same amount was made in the plan. I haven't examined Kulp's books to determine whether such a claim existed according to the books, but I know that the claim was

These Exhibits 24 and 25 do not purport to indicate whether or not any of the subsidiaries had claims against Kulp & Co. They indicate simply that the court records show that in the cases where the word "none" appears that no claim was filed on behalf of Kulp & Co. or its assignee. We didn't purport to determine whether or not there was a claim in existence.

We included in Exhibits 24 and 25 the subsidiaries against which Kulp & Co. asserted no claims because we felt that the attorney for Darrow might figure we had not covered the subject completely unless we had included all of them and because it was necessary to examine the cases of all the subsidiaries to determine in which ones claims had been allowed, filed or both.

MYRTLE JOHNSON.

(Examination by Mr. Roberson).

I was employed by Kulp & Co. from the time of its incorporation in 1921 continuously to the time it closed. During that time, I was an officer and the books, records and bank accounts were handled under my direction. On SEC Exhibit 22, I have checked the amount in the New York Trust Company as of December 31, 1928 and it should be \$7,513.67 instead of \$9,513.67 as shown on the exhibit.

I assume the reason is that the figure "7" on the books is either indefinite and was probably mistaken for a nine.

(The Master granted leave to the Securities and Exchange Commission to amend Exhibit 22 on its face to show the correction from \$9,513.67 to \$7,513 and likewise to reflect the correction in the total on the bottom of the column which should be \$141,576.54.)

In addition to the bank accounts of Jacob Kulp & Co. shown on Exhibit 22, there was a savings account at the Continental Illinois Bank for which a separate ledger sheet is kept indicating that on December 31, 1924,

285 there was a balance in said account of \$2,204.58.

In the early part of 1925 that account was closed out. As I recall it, it was just established during that one time. As I recall, the money that went into that savings account was in connection with a login at the time we were building Park View Manor. I imagine when the account was closed the money was transferred to the general funds of Kulp & Co. in the checking account at the Concinental Bank and was used by Kulp & Co. for its general purposes. As I recall, the Park View Manor loan was made by the subsidiary, Park View Manor, and was personally guaranteed by Jacob Kulp and By Jacob Kulp & Co.

I know the loan was paid but I don't know through which source it was paid. As far as I recall, there were no funds of Jacob Kulp & Co. in existence outside of the funds listed on SEC Exhibit 22 and the funds in the savings account at the Continental Bank. These bank accounts and cash on hand and the savings account would show on the cash items of Kulp & Co.

That is true through the period covered in Exhibit 22, that is, from December 31, 1924 to June 30, 1934. During this entire period, it was the practice of Kulp & Co. to receive the rentals from the twenty-seven corporations and also the income that Jacob Kulp & Co. received through the operations of the business and to place these funds in these various accounts in the name of Jacob Kulp & Co. However, there were not twenty-seven corporations during all of that period. Some of the corporations came to life after that period.

Some of the companies had separate bank accounts which were maintained and as I recall Ferry and Postal had their own bank accounts and in those accounts the trustee under the trust indenture securing the mortgages would reserve a certain amount to take care of the cur-

rent mortgage requirements.

Checks were drawn against these accounts by the corporation and Mr. Kulp or I would sign them as an officer of the corporation. The purpose of the checks, I would say, was for the operation of the company. I don't recall, without referring to the records, whether any of the funds drawn by checks of the corporation were transferred to accounts of Jacob Kulp & Co. In the case of Postal and Ferry, the New York Trust Co. had a power of attorney to collect the rents and it would withhold the amount re-

quired under the trust indenture.

The balance would be deposited in the checking account with the New York Trust Co. and the officers of the respective corporations would issue checks to pay the operating expenses, interest on first mortgage bonds and taxes. After some time there might have been a transfer of net proceeds in these two accounts to the general account of Kulp & Co. but I believe most of the time or all the time Station "F" (known as Postal) and Ferry Station were indebted to Jacob Kulp & Company. In addition to the funds shown on the bottom line of Exhibit 22 there were during the years covered by this exhibit some additional cash balances in these two accounts of the subsidiaries.

The stock of these two subsidiaries was all owned by Jacob Kulp individually and he may have authorized the issuance of checks out of those accounts at various times and which may have been deposited with Jacob Kulp & Co., but I wouldn't say for sure without referring to the

records. These two accounts contained money which be-

longed exclusively to Postal and Ferry.

The bank accounts and cash on hand shown in Exhibit 22 contained moneys received from the operation of the subsidiaries and also contained funds belonging to Jacob Kulp & Co. Jacob Kulp & Co. was incorporated, as I recall, for \$100,000 and that was paid in over a period of time in cash shortly after corporation was formed. These funds and the proceeds of bond issues were placed in those accounts. The rentals were put in there also as were commissions from insurance premiums. The accounts included the proceeds of Commercial Station, and I believe from funds of United States Parcel Post Company Building in Cleveland, which was owned by Mr. Kulp. The accounts also included profits from sales of securities in our general securities business, the proceeds of a loan from Joseph Baumann in June of 1930 in the sum of \$90,000, the proceeds of a loan from the New York Trust Company in the sum of \$60,000 made about May 29, 1930 and the proceeds of various loans made at the banks. Thus, the cash results were obtained from the operations of all the businesses of Jacob Kulp & Co., which included the management of the properties and selling of bonds and the commissions that were charged on the bond issues of Commercial Station.

Commercial Station was solely owned by Jacob Kulp

personally.

Neither Jacob Kulp nor Jacob Kulp & Co. kept any separate bank accounts for the subsidiaries, except in the case of Postal and Ferry. As far as I remember, Jacob Kulp & Co. kept books and records showing the amounts of rents collected for the various subsidiaries and showing

that these rentals belonged to the various subsidiaries.

The rents were co-mingled by Kulp & Co. with all

his other funds and assets.

The only disposition made of collection on behalf of the subsidiaries was to put the funds into these bank accounts and cash on hand. Up to about 1929, no management fee was deducted from the rentals and the gross rentals were deposited to the credit of the various corporations on the books of Jacob Kulp & Co.

The funds that I have testified to including the \$90,000 loan and the \$60,000 loan were deposited in these bank accounts of Jacob Kulps& Co. and reflected year end

totals. The loan of \$60,000 from the New York Trust Company was made about May 29, 1930, which was about the same time as the \$90,000 loan from Baumann. We wanted to pay interest on the Park View Manor bonds. The loans were made by Jacob Kulp & Co. and Jacob Kulp guaranteed the Joseph Baumann loan. I don't recall whether he guaranteed the others but I don't think

The purpose of the Baumann loan was to pay interest on the Park View Manor bonds. Mr. Kulp got securities from his step-daughter which permitted him to make the loan from the New York Trust Company and the proceeds of this loan were used in the operation of the various properties.

These funds were put in the general funds from which all the operating expenses of Jacob Kulp & Co. were

Hearing before Special Master, Archie H. Cohen, June 4, 1946.

288 CLAIRE M. MARQUISS.

(Examination by Mr. Mulfinger,)

I am familiar with the books and records of National, Federal and Jacob Kulp & Co. Prior to September, 1934 some of the subsidiaries had separate bank accounts in their own names.

These were Postal, Ferry and Dallas. In the case of Ferry, monies in the corporation's bank accounts were transferred at times to the account of Kulp & Co. I have examined the records to ascertain the amount so transferred for the period from December, 1925 to September,

(The witness testified to specific amounts transferred on certain dates from the accounts of Ferry, Postal and Dallas, respectively, to the account of Kulp & Co. However, at p. 1464 he stated that he was not sure that he included all of the items. For that reason and because Tr. Ex. 1, 2, 3 later introduced at p. 1480 are compilations subsequently prepared by him on the same matter, the figures here are not given.)

CLAIRE M. MARQUISS.

(Cross examination by Mr. Herriott)

The funds transferred from Ferry to Kulp & Co's account were used for the general purposes that the funds of Kulp & Co. were used. They might have been used for Ferry.

On June 30, 1934, Ferry owed Kulp & Co. \$34,864.21.

According to SEC Ex. 23, most of the year end balances show Ferry with a debit balance. It shows that Ferry had a credit balance in 1927 (\$32,722.97) and 1928 (\$21,728.43).

Ferry had debit balances for 1929 (\$2,273.65), 1930 (\$13,893.45), 1931 (\$31,491.87), 1932 (\$40,016.40), 1933 \$40,614.52) and as of June 30, 1934 (\$34,864.21).

ances, but had debit balances, at the end of each year. Dallas had its own bank account. \$84,450.00 was drawn from that account and put into the account of Kulp & Co. from January 5, 1927 to July 14, 1933. The credit balance of Dallas as of December 31, 1928 was \$7,307.15.

\$3,000 was withdrawn from Dallas' account during 1928. On December 31, 1927, the credit balance was \$11,461.00. Without the records, I cannot explain how the credit balance at the end of December, 1928 was almost \$4,000 less than it was the previous year, when \$3,000 was withdrawn by Kulp & Co. from the Dallas account during 1928.

During 1929, \$10,000.00 was drawn from Dallas' account. The credit balance of Dallas was \$7,307.15 on December 31, 1928, and it was reduced to \$6,384.58 in 1929, the year Kulp & Co. drew \$10,000 from that account. The difference is that Kulp & Co. expended more for Dallas than they drew from Dallas during the previous year. When I stated that money drawn from Dallas' account was used by Kulp & Co. for its purposes, I meant that the money was used to some extent for the benefit of the subsidiaries, since Kulp & Co.'s purpose was the operation of these properties.

During the period under discussion, Kulp & Co. made a practice of buying bonds for the accounts of the subsidiaries for the purpose of their sinking funds. The funds of Ferry, Postal and Dallas were not used to pro-

cure bonds for their sinking funds.

Their sinking funds were operated by the bank that collected the rent, and the mortgage did not provide for retirement. I don't recall any instance where Kulp & Co. bought bonds for the account of these three subsidiaries during the period in question, but I cannot be sure.

CLAIRE M. MARQUISS.

(Examination by Mr. Roberson)

The books of Kulp & Co. showed a credit in its favor and a debit on the subsidiary's books of any amount advanced to purchase bonds for the sinking fund.

The figures on SEC Ex. 23 reflect the debits and credits after debiting and crediting to the respective accounts any amounts paid for the subsidiary for interest, principal or sinking fund.

Hearing before Special Master Archie H. Cohen June 12, 1946

(Mr. Roberson was given leave to withdraw SEC Ex. 23 and substitute another document as SEC Ex. 23.)

(Two documents containing provisions of the plans of reorganization of three subsidiaries of Federal and three subsidiaries of National were marked SEC Ex. 24-A and 25-A for id., respectively, and received in evidence subject to an objection regarding materiality and relevancy. It was understood that SEC Ex. 21 through 27 had been verified and received. Mr. Herriott stated that he had no further objection except as to relevancy and form, Mr. Herriott reserved the right to show, in connection. with SEC Ex. 22, that Kulp & Co. had other cash besides that in its bank account.)

CLAIRE M. MARQUISS.

(Examination by Mr. Mulfinger)

(Three documents reflecting the amounts of money transferred from the bank accounts of Postal, Ferry and Dallas to the accounts of Kulp & Co. were marked respectively Tr. Ex. 1, 2 and 3 for id. as of 6/12/46).

I prepared said Tr. Ex. 1, 2 and 3 as of 6/12/46. They correctly reflect the transfers of money from the accounts. of the three subsidiaries to those of Kulp & Co. during

the period of the examination,

(Mr. Herriott objected to the exhibits on the ground they are irrelevant and immaterial, and also objected to the use of the word "withdrawn" in the headings. Mr. Herriott agreed that the word "transferred" was preferable but said he did not think it necessary to change the exhibit headings if it was clearly understood that the exhibit figures represented money "transferred" from the subsidiaries' accounts to that of Kulp & Co.)

The various items stated in Tr. Ex. 1, 2 and 3 of 6/12/46 were withdrawals from the several bank accounts of the subsidiaries and were handled in the ordinary way. Those moneys were deposited in one or more of the bank

accounts of Kulp & Co. as set forth in Ex. 22.

291 The subsidiaries were credited on Kulp & Co.'s books with the amounts of the various withdrawals shown on Tr. Ex. 1, 2 and 3 for id. as of 6/12/46.

CLAIRE M. MARQUISS.

(Examination by the Master)

These transfers from the subsidiaries' accounts to Kulp & Co.'s accounts followed a method of business that Kulp & Co. had theretofore engaged in. These funds were conveyed into what I previously designated as the "jack-pot account."

CLAIRE M. MARQUISS.

(Examination by Mr. Mulfinger)

Postal and Ferry had their accounts with the New York Trust; and Dallas with Foreman National Bank of Chicago or its successor.

(Tr. Ex. 1, 2 and 3 were received in evidence, and objection to their materiality and relevancy was noted.)

PAUL E. DARROW.

(Examination by Mr. Courshon)

(Claim #17 filed by Darrow on 9/17/36 in the Kulp & Co. bankruptcy was marked Guild's Ex. 1 for id. of 6/12/46.)

That is a claim of \$1,428.55 plus \$204.37 interest, total \$1632.92. I now have no idea what transactions between

me as trustee of National and Federal and Kulp & Co. gave rise to that claim. So far as I remember as trustee

I had no dealings with Kulp & Co.

I don't remember what "miscellaneous advances" were made to the bankrupt or that I advanced \$1428.55 to Kulp & Co. or that Kulp & Co. repaid any advances made to it by me as trustee.

(Claim filed by Darrow, as trustee, on 6/15/36 in the Kulp & Co. bankruptcy was marked Guild's Ex. 2 for id.

as of 6/12/46.)

These claims made by me constitute advances by the trusts of which I became trustee. I don't know whether my accounts mention the claim.

(Guild's Ex. 1 and 2 as of 6/12/46 were received in evi-

dence subject to the objection of immateriality.)

I don't believe I realized anything on this claim. I turned it over to my attorney. I don't believe a dividend was declared in the Kulp & Co. bankruptcy.

293 Hearing before Special Master Archie H. Cohen June 20, 1946

CLAIRE M. MARQUISS.

(Cross Examination by Mr., Herriott)

I am employed by Mr. Mosser, trustee of National and Federal. I was formerly employed by Kulp & Co. and then by Mr. Darrow as trustee. I was never employed by Colonial.

However, I performed services in connection with keeping the books and records of Colonial from the formation of the company until the end of Kulp & Co.'s activities

and partially through the Andresen regime.

I kept the books and records of Colonial up to the time of Kulp & Co.'s bankruptcy, and continued to perform such services for Colonial during the time Andresen acted as trustee. After Darrow became trustee, I may have performed some incidental services for Colonial but nothing much. However, I can't recall exactly. I didn't keep their books and records so far as I can recall.

Colonial was in the business of general securities deal-

ing.

Colonial employed about five people.

It never employed more than eight. They dealt in securities of the various subsidiaries and also of other companies. It engaged in this business from about 1930 to 1938.

I entered the employ of Kulp & Co. in December, 1928. I did general accounting work and kept the books and records. Kulp & Co. on occasions had call loans out with

banks.

It had \$15,000 out on call through the Foreman 294 Bank at December 31, 1926 and \$75,000 at December 31, 1927. It had \$25,000 through the New York Trust at December 31, 1926, \$50,000 at December 31, 1927; and \$100,000 at December 31, 1928. The figures on SEC Ex. 22 represent actual bank balances and do not reflect the amounts of the call loans.

Call loans exist when excess money in a bank account at the request of the depositor is placed by the bank on loan subject to 24-hour recovery. The money for the call loans was taken out of the bank account. The business of Kulp & Co. consisted of managing the properties of the

subsidiaries and selling their securities.

Kulp & Co. had salesmen who sold bonds which Kulp & Co. had to offer. The bonds had previously been delivered to it by the subsidiaries. When bonds were delivered to Kulp & Co. by the subsidiaries, the bonds would be placed in the inventory of Kulp & Co. and credit for the amount of the bonds less the commission would be given to the subsidiaries.

Kulp & Co. would credit the subsidiary with the par value of the bonds less the commission prior to the time

that Kulp & Co. sold the bonds.

The proceeds of the bends would generally be used to

finance construction of the buildings.

In the case of 6929 North Clark Street, I know that the figure for bond proceeds appears on SEC Ex. 23. \$42,-642.14 represents the credit it received for its bonds since the building was not completed until the succeeding year so that there could not be anything but bond proceeds in the credit balance. As to the other subsidiaries, I cannot say whether the credit balances shown on SEC Ex. 23 contain bond proceeds.

However, it is possible that some of these credits do include bond proceeds. I previously testified that I could not find certain telephone bills and that they had been

destroved.

I can't recall having seen any actual destruction.

I previously testified that the earliest telephone bill I could find for Colonial under the number Dearborn 8666 was dated September 21, 1940.

295 Colonial and Darrow divided the telephone expense from the beginning of Darrow's trusteeship in 1935

until Colonial's business practically ceased to exist.

Thereafter Darrow paid all the telephone bills except such items as could be individually allocated.

(Telephone bill dated December 21, 1935 for Dearborn

8666 was marked Respondent Darrow's Ex. 1 for id.)

This exhibit is one of the bills which he had previously been unable to find.

The pencil notations thereon indicate that the Trusts paid \$52.50, Colonial \$61.85, U. S. Building Corporation, the owners of Kulp's Cleveland Building, \$20.25, and Columbus Park \$3.00. There is also an item marked "Lincoln" of \$12.80 which I do not recognize.

(Telephone bills for Dearborn 8666 covering the months from January 21, 1936 through July 21, 1940 excepting bills for April 21, 1936, June 21, 1936, August 31, 1937, March 21, 1938, May 21, 1939, September 21, 1939 and December 21, 1939, were marked Respondent Darrow's Exhibits 1-A to 1-Z and 1-AA to 1-VV for id.)

The exhibits just marked appear to be the telephone bills made out to Colonial for Dearborn 8666 from January 21, 1936 to July 21, 1940 with the exception of seven bills.

These bills cover the period for which I said I previously could not find bills. Pencil notations thereon indicate the

ones charged with a portion of the bill.

The fact that a bill such as Respondent's Ex. 1-B does not contain pencil notations does not indicate that no allocation of the bill was made because in some cases the allocation was shown on a separate typewritten slip. During that period it was the practice to make an allocation of every bill between Darrow and Colonial.

SEC Ex. 22 purports to show cash balances in the various bank accounts of Kulp & Co. at the various year-end periods shown on that exhibit. In addition, Kulp & Co. had call loans outstanding. Kulp & Co. had assets other than cash during the period covered by SEC Ex. 22 and 23. The amount of the call loans and the cash balances in the bank did not represent all the assets of Kulp & Co.

296 It also had a certain amount of bonds on hand. I mean bonds of the underlying companies in the main. One of the activities of Kulp & Co. was building management. During the period covered by SEC Ex. 23, the buildings of the subsidiaries shown in that exhibit were managed by Kulp & Co.

It was also engaged in writing insurance. They were selling bonds of the subsidiaries for their own account. They bought the bonds from the corporation and the selling transaction was their own business. When they bought the bonds they credited the corporation with the bonds.

And then they sold the bonds as and when they could. The proceeds of the bonds were used to pay construction costs of the buildings and for other corporate purposes of the subsidiaries. The subsidiaries were not charged any regular management fees until 1930. I find that the first charge was made during the year ending June 30, 1927 in the amount of \$4,725.

Of that amount Dallas paid \$3600, Cleveland \$750, and Ferry \$375. Those were the only subsidiaries against whom any charges for management were made up to June

30, 1927 so far as I could find.

Cleveland was the U.S. Parcel Post Building and not a subsidiary of Federal or National and is not included in SEC Ex. 23. It was owned by Mr. Kulp. Kulp & Co. was formed in 1921, and I believe it managed the properties in question from the beginning. Although it managed the properties of the other subsidiaries prior to June 30, 1927 no charge was made during that period so far as I could find.

The next management charge appears as of June 30, 1929 in the amount of \$3600 against Quincy. In the year ended June 30, 1930 there was a general 4% charge which

amounted to \$43,208.13.

The next charge as of June 30, 1931 is a 4% item in the amount of \$37,462.54. In 1932 it was \$36,082.79; in 1933, \$33,915.58; and from July 1, 1933 to November 30, 1933, there was a total of \$10,175.37. I don't know whether that was on a 4% basis. That was the period during which Andresen took over. I entered Darrow's employ immediately after he became trustee of Federal and National. I had general supervision and operation of the accounting and similar matters that I could take care of.

eral from the books I had kept and I also prepared the detailed schedules. I did the same in the case of National. Exhibit B attached to the final report of Federal shows under the heading "Receipts" interest on securities of subsidiaries of \$25,542.34. That represents the cash received as interest on the securities of the subsidiaries and interest on loans which Darrow made to the subsidiaries. That does not include interest which accrued but had not been collected. I showed interest only as collected.

The same figure of \$25,542.34 appears on page 1 of the detailed schedules under the heading "Receipts". That represents the same item of interest shown in the final

report and represents interest actually collected.

The righthand column of Schedule 2 of the detailed schedules shows that the "Total Interest Earned" for the period was \$25,542.34. That column contains a breakdown of the interest collected.

The column "Total Interest Earned" is inaccurate because the statement is strictly a cash statement. It should

be "Total Interest Collected".

The text matter in the final reports is not my work.

The third item on Ex. C under the heading "Receipts" of the final report of National in the amount of \$63,104.26 represents interest collected except for the item of \$100 which was subsequently explained as an error of a \$100 profit on Armour bonds sold to the sinking fund.

In the case of National as well as Federal I showed interest collected, not interest accrued. \$63,104.28 covers the entire period from June 1, 1935 to August 13, 1943. Ex. B attached to the report covers the period only from December 1, 1940 to August 13, 1943. The item of interest earned on Ex. B is \$28,122.78 and that is included

in the \$63,104.26 shown as interest on Ex. C.

298 Said sum of \$28,122.78 represents interest collected and not accrued. The detailed schedules for National at page 1 under "Receipts" show interest on securities of subsidiaries of \$63,004.26 and that represents interest collected. On Schedule 2 of the supplemental schedules I have set out, among other things, the details of the collections of interest from the subsidiaries.

Schedule 2 includes also bond purchases, bond sales, profits and costs, etc. The total of the righthand column "Interest Earned" is \$63,004.26 and that represents in-

terest collected. The difference between the \$63,004.26 on the detailed schedules and the \$63,104.26 on Ex. C of the final report results from a \$100 profit on an Armour bond sold to the sinking fund which was inadvertently included as interest on the books and was not discovered until after the preparation of the original final account.

The correct figure is \$63,004.26. In making up the detailed schedules the \$100 in question was included in profit on sales on Schedule 2 and is the first item—Armour Sta-

tion.

Armour bonds were purchased for \$825 and sold for \$925, leaving a profit of \$100. This \$100 was erroneously shown as interest in the final report instead of as bond profit. After Mr. Darrow ceased to be trustee of Federal and National, some of the interest which had accrued prior

to his resignation was collected.

These collections were made by Mosser. There is still some uncollected interest on some bonds of subsidiaries. The item of \$9609.50 on the first page of Ex. F (pertaining to the Chairman Account) attached to the Final Report of Darrow in the case of National reflects interest actually collected. In the supplemental schedules, I did not break down that item.

I prepared the detailed schedules as the result of a conference at the SEC. I was advised that a court order for the statements would be procured and we discussed what would be required in the supplemental report. Hart, Roberson and Ronan of the SEC and Courshon, Kelly and Adams were present.

I prepared the report in accordance with the outline determined at this meeting. No order had been entered

at the time of the conference.

(Roberson stated he thought the conference followed a

court order requiring the detailed schedules.)

299 I was advised that such a court order would be secured. I prepared the schedules in accordance with the understanding at that conference regarding content of the schedules.

The aforementioned interest item of \$9609.50 in Ex. F attached to the National Final Report refers only to the

Chairman Account.

A statement of cash receipts and disbursements in the Chairman Account is attached to the Final Reports of National (Ex. F) and Federal (Ex. E). The statements are the same in each report.

The-total receipts in the Final Report of Federal are \$168,663.16, and in the detailed schedules total receipts are

\$166,448.14.

This difference exists because in the detailed statements the item of \$2214.02, representing expense adjustment from National which had not been credited to Federal, was eliminated at the suggestion of Roberson that expenses be properly credited. We paid the major part of our expense from funds of Federal and periodically made adjustments between the two trusts on the basis of gross income.

In 1941 that/amount was not computed in time to have Federal reimbursed by National and so it was carried as an account receivable by Federal. In the detailed schedules the item was dropped from income and the expense account was reduced by a corresponding amount.

The detailed schedules show total operating expenses of \$119,696.13, and the Final Report shows \$121,910.15. The difference is said \$2214.02. In the detailed schedules we eliminated this item as a receipt and correspondingly

reduced the operating expenses.

I made that change at the suggestion of Mr. Roberson. After the change the net result is the same. On schedule 2-L of the detailed schedules the total second mortgage interest is shown as \$980. The sum of the second mortgage interest as shown on schedule 2-L is actually \$1080, but the \$100 indicated thereon as received from U.S. Bldg. Corp. was erroneously inserted since U. S. issued income bonds and no income was earned or paid. Thus, \$980 is correct.

300 Said schedule 2-L shows that the trust purchased bonds M-455 and M-442, and that they were exchanged for bonds M-443 and M-465, which latter bonds were sub-

sequently sold to the sinking fund.

Ex. C attached to the Final Report of Federal reflects advances made to subsidiaries in the amount of \$4020. Schedule 3 of the detailed schedules shows the same amount as accounts receivable for advances to subsidiaries. money was advanced when the companies were short of eash. Interest was paid on the advances generally at 4%. They were repaid to Darrow's successor.

Ex. C attached to the Final Report of National indicates total cash receipts of \$161,137.26, and the detailed schedules (p. 1) show \$163,202.26. The difference of \$2065

results from a variance in treatment of 3 bond transactions. Austin bonds were sold at a profit of \$15, and \$6000 of original inventory Ogden bonds and \$100 of original inventory Windsor bonds were sold to the sinking fund for \$1800 and \$250, respectively. In the Final Report those 3 items, totalling \$2065, were deducted from the cost of bonds shown in the disbursements on schedule C to show the net cost of bond purchases. In the detailed schedules that \$2065 is reflected as amount realized on original holdings of bonds sold to sinking funds and profit on bends sold to others. The \$2065 appears on the first page of the detailed schedules.

In the Final Report that figure is reflected in the reduction in cost of bonds as shown under disbursements (Sch.

C).

The treatment I gave this matter in the Final Report was probably for no reason except expediency to reduce the number of items to a minimum. In the detailed schedules, I set out the exact transactions. In one instance the \$2065 is shown as a receipt; in the other it is shown as a deduction from the disbursement for bonds.

I can point out the difference in treatment. In schedule 2 the cost of Austin bonds is shown as \$11,558.50 and on Ex. C as \$11,543.50, a difference of \$15. Schedule 2 shows the cost of Ogden Park bonds as \$1930, and Ex. C as \$130.

a difference of \$1800.

301 Hearing before Special Master Archie H. Cohen July 11, 1946

CLAIRE M. MARQUISS

(Examination by Mr. Herriott)

The final report in the case of National shows receipts of \$161,137.26 and the detailed schedules show total receipts of \$163,202.26. The difference of \$2,065.00 represents \$15 profit on bonds sold to others and the amount realized on bonds of original holdings which were not treated as cash receipts in the final report but as a deduction from bond purchases.

Schedule 2 of the detailed schedules pertaining to Ogden Park shows net cost of bonds purchased \$1930.00, and Exhibit C of the final report shows \$130.00 as cost of bonds

purchased.

The \$1800.00 difference was the amount realized on \$6,000.00 of original inventory Ogden bonds sold to the sinking fund. In the final report the \$1800.0 was simply deducted from the cost of bonds purchased by Darrow, so that the net amount of cash paid out of the trust was \$130.00.

There were no other transactions of Darrow as trustee of Federal which were not fully reflected in the detailed schedules or the final report. Darrow as trustee purchased certain bonds of subsidiaries of both National and Federal through Colonial which bonds had been held by the First National Bank as collateral to a loan made to Jacob Kulp or Kulp & Company.

These bonds and the amounts paid therefor are reflected in the final reports and the detailed schedules. As far as I recall he paid approximately \$12,000.00 for these bonds. At the same time he also acquired from Colonial without payment of consideration, approximately \$84,-

000.00 par value of Federal bonds.

These bonds of the subsidiaries had been held by the First National Bank as collateral. There were a series of payments made to the bank and specific amounts of bonds were relinquished by the Bank from time to time as payments were made.

Darrow acquired the bonds at various times probably commencing about November 6, 1936. I don't recall, but, the money to buy these bonds may have come partially

or maybe entirely from the Chairman Account.

302 At the time Darrow bought those bonds he also acquired \$84,000.00 of Federal Facilities Gold Notes, which were also included in the transaction. That \$84,-000.00 of Federal bonds are not included in Darrow's final report nor in the detailed schedules. We didn't record those \$84,000.00 of bonds as having been purchased because the purchase transaction bought specifically the other bonds in the block.

So far as I know in addition to the securities shown in the final reports Darrow also acquired and presumably

has, \$84,000.00 of Federal bonds.

(Mr. Herriott stated: these \$84,000.00 in bonds were not included in the account but are the subject matter of a supplemental affidavit filed by Darrow in November, 1943. Darrow still holds these bonds. He made an oral agreement with Colonial to hold them for the benefit of the certificate holders.)

In addition to the various items about which I have already been interrogated, Kulp & Company put into its bank accounts proceeds of loans made by Kulp & Company. During the period covered by S.E.C. Exh. 22, Kulp & Company made several loans the proceeds of which went into its bank accounts: Continental Bank, \$61,477.47; First National Bank, \$28,250.00; N. Y. Trust Company, \$43,891.45; Joseph Baumann, \$50,000; and Mrs. Kulp, \$5,240.08. This is as of June 30, 1933. Those figures are the balances as of that date made by Kulp & Company from those various sources. The loans were made prior to that date, The loans when made were credited to the bank accounts.

Cleveland station was not a subsidiary of Federal or National but it had a bond issue. The proceeds of rents collected for its Post Office property was put into the Kulp & Company bank accounts. Commercial Station was a similar property in St. Paul not owned by Federal or National. Its rents were also put into the Kulp & Com-

pany bank accounts.

I cannot tell by looking at S.E.C. Ex. 22 how much of a year end balances represent monies coming from the collections of rents from the subsidiaries. The funds were all co-mingled. During the period covered by S. E. C. Ex. 22 I would say that an estimate of \$150,000.00 as rent collected from Cleveland and Commercial Station would be conservative.

At the time Kulp & Company went into bankruptcy Cleveland was a creditor of Kulp & Company (\$79,233.26 at June 30, 1933) but I don't recall whether Commercial

Station was a creditor.

303 Mosser sold bonds to the sinking funds of the subsidiaries from the inventory turned over to him by Darrow.

(A document prepared by Marquiss showing transactions in which Mosser sold bonds which had been acquired by Darrow was marked Respondent's Ex. 2 for id.)

Respondent's Ex. 2 accurately sets forth the amount which the securities cost Darrow and the amount at which they were sold by Mosser; except that some of the bonds may have been in the portfolio when Darrow took over.

I shall check this latter point.

When Darrow bought the books of Kulp & Company in the bankruptcy proceeding the cost was charged to expenses on the books of the trusts.

(Examination by Mr. Courston)

The books and records of the trusts of Federal reflected

nothing regarding said \$84,000.00 of Federal bonds.

With respect to the loans that Kulp & Company made from various sources including banks I handled none of those loans myself nor did I receive the proceeds of those loans. I know that the money went into the bank accounts of Kulp & Company because I kept the records of the bank accounts.

I did not personally make the deposits nor direct the making of them. I was told that a certain amount of money was deposited in the accounts of Kulp & Company as the proceeds of certain loans. The books, which were kept by me, then showed a debit to the bank account and credit to notes payable.

I had satisfactory information that such loans had been made and the bank statement bore out the information that was given me. With regard to the two buildings not owned by Federal or National Kulp & Company had the same arrangement concerning collection of rents and

operation of the properties..

Besides maintenance Kulp & Company disbursed money to service the bonds of these two buildings, that is, paying the interest, paying the bonds that might become due, or might be purchased for the sinking fund. So far as I know there was never any specific accounting made to the corporations as such by Kulp & Company. The records would show at any given date whether these buildings were debtors or creditors of Kulp & Company.

At June 30, 1933 Kulp & Company owed the Cleve-

land building about 79,000 odd dollars.

The monies collected by Kulp & Company from Cleveland and Commercial were mingled with funds of the other buildings and from time to time Kulp & Company made expenditures for Commercial and Cleveland out of the co-mingled funds. There may have been times where the money received by Kulp & Company from these two buildings was less than or equal to the money expended on their behalf.

(Examination by Mr. Roberson)

Ex. C attached to the final account of National in the column headed "Cost" actually represents the gross disbursements paid out for bonds with the exception of Austin \$15.00, Ogden Park \$1,800.00, and Windsor Shore \$250.00.

CLAIRE M. MARQUISS

(Examination by Mr. Mulfinger)

I certainly knew about the transaction through which Darrow acquired that block of bonds from the First National through Colonial when it became necessary to issue checks.

The bonds were taken up piecemeal and checks were issued for specific bonds. I was told that the \$84,000.00 of Federal bonds came in free as part of the transaction. I did not make an entry on the books of the trust showing that these bonds had been received.

I do not know whether Darrow obtained an order of court for the purchase of these securities or to enter into any arrangement pertaining to the \$84,000.00 of Federal

bonds.

I believe the \$84,000.00 of Federal bonds were kept in one of the boxes of the Trust. I never inquired of Darrow whether an entry should be made on the books of the

Trusts pertaining to those bonds.

Nothing was said as to whether the \$84,000.00 of bonds should be reflected in Darrow's reports. With respect to the other securities in the block besides the \$84,000 of Federal bonds, I don't remember whether Darrow bought \$5000 of Quincy Second Mortgage bonds and \$5,000 of 22nd Street from Graham & Co. in Oct. 1935 and the balance from Houston & Co. in Nov. 1935.

305 My recollection is that Colonial handled the deal for the First National Bank. I remember that Darrow bought bonds from Graham & Company and Custin & Company but I don't remember that the purchase price was \$12,000 or any other amount.

(Cross Examination by Mr. Herriott)

(A yellow memorandum sheet being a purchase memo of Colonial dated Nov. 6, 1936 describing miscellaneous securities having a price of \$2555 was marked Resp. Ex. 3 for id.)

Ex. 3 is in my handwriting but I don't know whether or not securities mentioned therein were some of the securities purchased by Darrow from the First National

Bank through Colonial.

I do know that Darrow purchased bonds for \$12,000 from the First National Bank through Colonial or purchased from Colonial out of the First National Bank group of bonds held as collateral. They were paid for in several installments because we didn't have enough money.

CLAIRE M. MARQUISS

(Examination by Mr. Roberson)

Resp. Ex. 3 for id. is a purchase memo of Colonial. I know it was the form they used although the name Colonial does not appear. It records a purchase of the securities by Colonial from the First National bank. Colonial, not Darrow, made the purchase from the bank.

CLAIRE M. MARQUISS

(Examination by Mr. Mulfinger)

The memorandum showing the purchase by Darrow from Colonial would not reflect the \$84,000 of Federal bonds. I was told that Darrow was going to obtain those bonds upon the consummation of the transaction. There should be some sort of paper indicating the transfer of the securities from Colonial to Darrow.

CLAIRE M. MARQUISS

(Examination by Mr. Courshon)

I was not an employee of Colonial. I don't know why the securities were purchased from the bank by Colonial rather than by Darrow.

The securities were paid for out of funds of the Trusts, not out of Darrow's personal funds.

CLAIRE M. MARQUISS

(Cross examination by Mr. Herriott)

Part of the \$12,000 purchase price may have come from the Chairman Account. It could have been that Resp. Ex. 3 for id. was made out at the time because Darrow coincidental with the making of the memo was paying over the \$2555 to Colonial.

CLAIRE M. MARQUISS

(Examination by Mr. Courshon)

I believe the checks of Darrow were made payable to Colonial.

CLAIRE M. MARQUISS

(Examination by Mr. Mulfinger)

Between 1936 and 1943 I might have made out memoranda for Colonial in similar transactions.

I worked on its books to some extent, but not very much.

MYRTLE JOHNSON

(Cross Examination by Mr. Herriott)

While I was working for Kulp & Co. I received \$500 a month and various bonuses. I entered its employ at the time of its incorporation in 1921 and continued until it ceased doing business.

I started at \$300 a month which was increased to \$500 about two years later and so continued until about July 1933 when Andresen took over operation of the properties.

I then entered Andresen's employ.

I assisted Andresen in connection with the operation of the properties, servicing bonds, assisting in the reorganization of subsidiaries and other activities which took up possibly half of my time. Andresen relied on my sugges-

tions in regard to Grand Rapids reorganization and 307 they were complied with and followed. I worked with the committee all through the hearings

the committee all through the hearings.

For the first two months Andresen paid me \$200 per

month and thereafter \$250 per month.

I was to devote part of my time to his business and work in my activities for Colonial or any other activities I might have. Colonial had been in existence about 21/2 years when I entered the employ of Andresen. We occupied joint offices. It was one large suite and certain offices were designated for Colonial and certain ones for the two Trusts.

There was a division of office expense. Before Andresen took over I was working for Kulp & Company and also for Colonial. All of the stock of Colonial was owned by Kulp, Mrs. Kulp and myself. So far as office space was concerned Kulp & Company and Colonial were all in one.

I handled all of the executive work for Colonial. I also contacted buyers and sellers of securities. I performed any type of service for Colonial until Kulp & Company ceased doing business. Then I continued in the same fash-

ion after I was employed by Andresen.

Colonial was engaged in the business of purchasing and selling securities and handled other securities besides those of the 27 subsidiaries. We handled listed and unlisted bonds and stocks of all types and certificates of beneficial interest and partial payment contracts sold by Colonial Bond & Share Company of Baltimore, from whom Colonial derived its name. We also handled securities of the two Trusts and their subsidiaries and of other companies whose securities were underwritten by Kulp & Company.

I cannot say what percentage of the securities business handled by Colonial involved transactions in the securities of subsidiaries of the Trusts from the organization of Colonial to Darrow's appointment. Colonial had about 7 or 8 employees originally excluding Jacob, Lee Kulp and myself but that number was reduced to about 3 in

1940.

While I was working for Andresen Colonial carried on its securities business. It bought and sold securities of the subsidiaries. We sold securities of the subsidiaries of the two top Trusts to various of the subsidiaries but not to Andresen personally. I was employed by Darrow immediately after he was appointed trustee. I never met Dar-

row prior to that time.

308 After Darrow came in he said he did not want to make any changes in the organization whatsoever until he found out whether or not the arrangements were

satisfactory.

I told him I was willing to cooperate and assist in working out the problems in connection with the properties but I reserved the right to carry on my activities in the securities business.

Darrow said he had no objection to my doing so. I made the statement because I didn't want any question raised about my activities in connection with the sale of securities and purchase and sale of other than the Trust securities.

I wanted the opportunity of dealing in every type of security whether connected with the Trusts, their subsidiaries or other companies. I told-him that if I pent about half a day on his work that would be sufficient. This arrangement was satisfactory to him. He was to pay me \$250 a month for that service. I received \$250 a month up to 1942 and then \$275 a month.

That is the most I ever received from him. I never received anything else in the way of compensation from Darrow. After I was employed by Darrow I continued

to work for Colonial.

The stenographer and the messenger employed by Colonial assisted in the work of the Trusts. Many notices had to be sent out when Darrow first came in and Colonial's stenographer did a great deal of work in that connection.

The pay of the stenographer and messenger was not divided. However, some of Darrow's help did some work for Colonial and we felt that one sort of balanced the other. After I entered the employ of Darrow I bought and sold through Colonial securities of the subsidiaries and of the

Trusts. We sold them to Darrow and others.

While I was employed by Darrow, Colonial traded in securities other than those of the Trusts and their subsidiaries. I believe Colonial made its first sale of securities of the subsidiaries to Darrow in about the fall of 1935 when I think he bought some securities in the Chairman Account. From time to time we continued to sell securities of the subsidiaries to Darrow; up until some time in 1941.

Darrow always determined the price he would pay and sometimes he would discuss with me the question of a fair

price. In some cases we sold securities to Darrow at prices above what Colonial had paid for them; in other cases at the same price and in still other cases at less than Colonial had paid.

Darrow determined the price and there was never any question about it. Before determining the price he sometimes conferred with Trust committees, even where he had full jurisdiction and in other cases he conferred with Trust committees or Board of Directors who determined what the prices were. Darrow determined the price when he paid to Colonial exactly what it had paid or when he paid less.

In some cases Darrow did not purchase securities which we offered to him for lack of funds and I would find a

buyer elsewhere.

From the time Darrow became trustee in 1935 until Colonial ceased business in 1940, it had about 6000 transactions and 800 involved sales to anyone of securities of the two top Trusts or their subsidiaries. I don't know how many of these 800 were with Darrow.

The other 5200 transactions involved all types of bonds, stocks and certificates of beneficial interest. Colonial had a regular clientele of purchasers and it maintained contact with them. Colonial's salesmen worked on a commis-

sion basis but had drawing accounts.

The salemen were allowed 2/3rds of the gross profit and in some cases they received additional compensation. The regular rate was 2/3rds.

310 Hearing Before Special Master Archie H. Cohen July 15, 1946

CLAIRE M. MARQUISS

(Direct examination by Mr. Herriott)

At the last hearing I was interrogated about Resp. Ex. 2 for id. which is a statement of the bonds sold to the sinking fund by Mosser.

A document which elaborates upon Resp. Ex. 2 for id. including bond numbers and purchase dates was marked

Resp. Ex. 2-A for id.)

I obtained the information shown on those exhibits from the records of the interested organizations. The left hand column of Resp. Ex. 2 which exhibit is entitled "Bonds

Sold by Mosser to Sinking Fund" contains the list of bonds sold by Mosser from the Chairman Account. On the right hand side of the sheet there are 3 columns.

The first of those columns indicates the par value of the bonds; the next shows the cost to the seller; and the last

shows the amount received by Mosser for the bonds.

(Mr. Mulfinger objected to this line of testimony on the ground it was not cross examination and it was received subject to objection.)

Resp. Ex. 2-A contains everything shown in Resp. Ex. 2, plus the dates the bonds were purchased and their num-

bers.

Resp. Ex. 2-A shows some second mortgage bonds of Postal purchased during Andresen's regime. One entry "Bought from Andresen" means it came to Darrow from

Andresen.

With the exception of four bonds having a face amount of \$3,000 and being second mortgage bonds of Postal, all of the bonds shown on Resp. Ex. 2-A were purchased by Darrow through the Chairman Account, Federal or National. I prepared these exhibits from the books of the trustee and they are correct.

(Mr. Herriott agreed, after repetition of objections by Mr. Mulfinger, that Mr. Marquiss would be considered his first witness in chief and that the present examination is not cross examination but direct examination just as though the objectors had not closed their case and Mr. Herriott had been allowed to call Marquiss as a witness out of

place).

311 (A memorandum prepared from the books of Federal and National by Marquiss regarding the purchase of \$12,000 of sundry bonds by Darrow from Colonial was marked Resp. Ex. 4, for id. as of 7/15/46)

Said bonds were held by the First National Bank as collateral for a note of Jacob Kulp & Company. Said exhibit shows a total of \$31,000 par value of bonds of the

subsidiaries.

(It was stipulated that the exhibit might be corrected

to show the true total of \$33,000 in lieu of \$31,000.)

In the left hand column at the top of said exhibit appears the five dates upon which the Chairman Account issued its checks to Colonial for the \$33,000 in bonds. All of the checks for this purpose were drawn on the Chairman Account. The right hand column at the top of said exhibit indicates the amounts of the various checks.

Resp. Ex. 3 for id. covers the same transactions as shown on Resp. Ex. 4. The amounts of the five checks shown in the right hand column at the top of Ex. 4 total \$12,000 and represent the amounts paid by Colonial. The remainder of Resp. Ex. 4 shows the details of the bonds that were received for the \$12,000 except the bond numbers because I did not have the records from which to obtain them.

The Ogden Park Bond shown to have been sold by Mosser on Resp. Ex. 2-A is not a part of the \$3,000 par value Ogden Park bonds shown on Resp. Ex. 4. According to Resp. Ex. 2-A Darrow bought a \$500 Ogden Park bond for \$155 on 3/25/38 and it was later sold by Mosser for \$250.

In Resp. Ex. 4 the column headed "Disposition" indicates the company to whom the various bonds were sold and the column headed "Price" shows the price received from such company. The word, "retained" when used in the column marked "Disposition" means the bonds were not disposed of by the Chairman Account, they might have been disposed of by Mosser or he might still be holding them. Except as to the bonds marked "retained" all of the bonds purchased from the bank for \$12,000 were immeidately disposed of by the Chairman Account to the places indicated under "disposition".

Darrow paid for the bonds out of the Chairman Account. At the bottom of Resp. ex. 4 appears "\$84,000 Fed. Fac. received considered as no cost". That is inserted because Darrow considered that he paid \$12,000 for the first mortgage bonds listed on Resp. ex. 4 and that the Fed. Facility

bonds came in without any payment.

I have no records which show anything on the transaction between Colonial and the First National Bank or what the price was. Resp. Ex. 3 for id. prepared on form of Colonial reflects the first transaction which appears on Resp. Ex. 4 where \$2555 was paid for a lot of miscellaneous securities.

(A memorandum bearing the printed name of Colonial on the top, dated Nov. 10, 1936 and involving the same amount (\$2555) as set forth on Resp. Ex. 3 was marked

Resp. Ex. 3-A for id.)

(Cross Examination by Mr. Roberson)

No one instructed me to use the heading "Prices set by Mr. Darrow" in Resp. Ex. 4. I know that the prices were set by Mr. Darrow because he told me those were the values he assigned to the bonds he received. "Prices Set by Mr. Darrow" means that these cost prices in Mr. Darrow's opinion were the values of the securities purchased.

I have been unable to find any memoranda showing the

transactions between Colonial and Darrow.

Where the word "retained" is used in Resp. Ex. 4, it means that those bonds were retained in the Chairman Account after the entire transaction was consummated. They may have subsequently been disposed of. The securities purchased for \$12,000 did not come in one block but were received piecemeal in accordance with the payments. I don't know whether Colonial paid the bank in piecemeal fashion.

I made out Resp. Ex. 3 on or about the date it bears. Resp. Ex. 4 does not show the date that Darrow paid the cost price opposite each of the securities. The dates in the extreme right hand column of Resp. Ex. 4 are the dates on which the bonds were disposed of to the unit indicated under "Disposition." The dates shown on Resp. Ex. 4 under "Checks issued" are the dates the checks were issued to make up the \$12,000 purchase price for the bonds. I don't know whether Darrow's checks were transferred to the bank or whether Colonial issued its own check to the bank.

CLAIRE M. MARQUISS

(Cross Examination by Mr. Mulfinger)

I don't know whether the bank held any other bonds of the subsidiaries. When Kulp & Co. went into bank-ruptcy I did not know that the First National Bank had bonds of the subsidiaries in the par amount of \$124,000.

MYRTLE JOHNSON

(Direct Examination by Mr. Herriott)

(Agreement between the First National Bank and Colonial dated Nov. 5, 1936 was marked Resp. Ex. 5 as of 7/15/46.)

This agreement sets forth that the bank agrees to sell and Colonial to purchase certain securities therein set

forth together with a note of Kulp & Company. (Resp. Ex. 5 was received in evidence.)

One of the securities enumerated in Resp. Ex. 5 not acquired by Darrow is the note of Kulp & Company dated November 24, 1933 in the amount of \$27,300. That was the note for which the securities listed in the contract were held as collateral by the bank. The other item in Resp. Ex. 5 not delivered to Darrow was the nonnegotiable receipt of the National City Bank of Cleveland, depositary, in the reorganization of U.S. Parcel Post Building Company, which receipt had a value of \$70.

Colonial did not acquire all of the securities on Resp.

Ex. 5 at one time.

(Five checks of Colonial to the First National Bank of Chicago were marked Resp. Ex. 6, 6-A, B, C, D, for id.) Resp. Ex. 6 is a check of \$2555 by Colonial to the bank

in part payment for the securities in question. I do not know which securities were received for that check.

The contract states that there were to be payments of \$2500 over a period of 5 months. A memorandum prepared by Mr. Marquiss indicates that the \$2555 shown on Resp. Ex. 3 purchased \$4000 Division and LaVergne bonds, \$1000 Armour Station, \$2000 Villa Garage, \$3500 St. Louis 2nd and \$1000 Rogers Park.

I am not sure that those particular bonds were acquired by the payment of \$2550 but the bank files will show the receipts for the securities delivered on each date. The

checks marked Resp. Ex. 6 to 6-D total \$12,000. After adding the amount of the checks I find they total \$12,070. Referring to the item of \$2550 on Resp. Ex. 4, I find that the records of Colonial show that Darrow paid the \$2500 and \$55 in two checks.

The second item on Resp. Ex. 4, shows a check to Colonial of \$2750 on Dec. 4, 1936. On Dec. 31, 1936 Colonial issued a check of \$3075 to the bank but the books show

that we received \$2960 from Darrow as per Resp. Ex. 4. On February 5, 1937 Colonial issued a check to the bank for \$1750 and we received a check from Darrow for \$1935. The reason for the difference is that the payment made by Darrow on Dec. 31 was insufficient to cover the amount we paid to the bank on that date.

Darrow's latter check balanced the account up to that time. On March 5, 1937 Resp. Ex. 4, shows a check of

\$1800 by Darrow to Colonial.

Resp. Ex. 6-D is a check by Colonial to the bank on March 5, 1937 for \$1870. The total of the checks drawn

by Colonial to the bank is \$12,070.

On computing the items again I find that the checks marked Resp. Ex. 6 to 6-D total \$12,000 and the payments by Darrow to Colonial also total \$12,000. Of the securities secured from the bank, there was \$70 paid for securities of U. S. Parcel Post Building at Cleveland which he did not get.

Darrow received all of the other securities from the bank except the Trust receipt of Cleveland (U. S. Parcel

Post) and the note of Kulp & Company.

I either have the Trust receipt or the bonds for which it may have been exchanged. Colonial still holds those bonds. Cleveland was later reorganized. The value of \$70 was placed on the Trust receipt by agreement between Kulp, the bank and myself.

We had no written contract with Darrow for the purchase of the securities received from the bank. At first Colonial intended to sell these securities at retail.

We told Darrow we were negotiating for the purchase of these securities and could sell them at an advanced price. Kulp did not want them sold but was interested in acquiring them to protect the holders of certificates of beneficial interest of Federal. That block of stock together with the block held by Hawley under a certificate of trust would about equal the amount held by the pub-

lic.

315 There were about \$365,000 or \$375,000 of Federal outstanding. Darrow wished to acquire the securities but did not have the funds and I said that I could work out a deal to take them at various times. I gave him the \$84,000 of Federal at the time I received them from the bank. It was the understanding that we were to hold them for the holders of Certificates of beneficial interest of Federal.

No effort was made to sell them and they are kept by Darrow in his safety deposit box. Darrow made no payment to Colonial for the \$84,000 of bonds of Federal. As to the price paid to the bank we were guided by the market price. In fact they were acquired at a considerably lesser price than we figured the market price was.

It is my opinion that the price paid to the First Na-

tional Bank was less than the market price.

Today they are worth considerably more than \$12,000, the bonds which Darrow acquired from the bank are worth

about \$20,000.

The \$84,000 of federal bonds delivered to Darrow would be worth about 20¢ on the dollar today and could be readily marketed at that figure. Upon the completion of the reorganization, I think they will be worth par.

There is a connection between Resp. Ex. 3 and 3-A. The records of Colonial show that confirmation No. 11306 (Resp. Ex. 3-A) was tied up with the payment to the bank covering bonds delivered to Darrow for \$2555. Resp. Ex. 6 represents that payment.

I looked but did not find any other confirmation slips covering the sale of securities acquired through Colonial

by Darrow from the bank.

MYRTLE JOHNSON

(Cross Examination by Mr. Herriott)

While I was employed by Andresen my duties included working on plans of the subsidiaries-Station D, Ferry Station, Armour Station, Grand Rapids, Ogden Park, and Park View Manor.

Before Darrow's appointment these reorganizations had proceeded pretty far but with the possible exception of Grand Rapids they were all completed after he came into office. There were a number of subsidiaries reorganized after Darrow came into office.

I was very active in the reorganization while in the employ of Andresen. As to Austin, Station D-Ogden Park, I believe I was the only witness for the corporation and I wrote the letters that were sent out to holders of

securities. I conferred with various attorneys, worked 316 on the plans, and the general work in connection with

the reorganization. We had many meetings with the security holders.

When Darrow became trustee I continued along the same line in connection with Park View. I was familiar with the capital structures of the subsidiaries. The bondholders felt that the owners of the equity were not entitled to consideration in the plan for Station D.

Darrow and I carried on negotiations with the holders of securities of Station D. We got 10% of the stock. Station D has been reorganized and has no outstanding

bonds.

The hondholders received one share of stock for each \$100 bond. Federal received approximately 10% of the stock. The property of Station D at that time was worth

about \$30,000.

I understand it could be sold today for between \$50,000 and \$60,000. There are some special assessments which would have to be charged against the sale price. The company received about 120 shares of stock. I know of some stock which recently sold for \$10 a share.

In the case of Chicago Post Office the bondholders re-

ceived new bonds par for par.

Federal retained the entire equity. Federal also retained the equity in Dallas and the bonds were extended with interest at 3%.

Another reorganization was Ferry Station. The bond-holders committee proposed a plan under which no con-

sideration was to be given the equity.

I sat in on the negotiations which resulted in the plan that was finally adopted. Under this plan the capital stock was retained by Federal and the bondholders received new

bonds on the basis of par for par.

The general creditors were to remain until the first and second mortgage were retired and the property was to remain under a trust committee with a payment of 5% to whomsoever the committee designated as management fee. On account of the management fee we have collected \$32,000 since that time. This was collected by Federal. The first mortgage has been reduced (from \$665,300) to \$125,000.

I participated in working out that plan. When Ferry Station was erected we received a rental of \$107,000 from the government. At the time of the reorganization we were getting about \$60,000 from the government, the lease

having expired several years previously.

317 A bondholder named Toy insisted that there was no equity beyond the bonds. Either Darrow or I finally convinced him to change his position.

In the case of Ferry Station the first mortgage bondholders were to receive \$38.10 in back interest and the

second mortgage bondholders \$50.53.

The second mortgage bondholders were to receive no further interest until the first mortgage was reduced to \$325,000. The rental was about \$60,000 at that time. The second mortgage bondholders began receiving interest on Dec. 31, 1942. The Post Office vacated the building about 1939 and Kulp leased it to a cotton storage warehouse

at about \$19,500 a year.

The lease could be cancelled upon 90 days notice by paying a bonus of \$15,000. About Dec. 1941 Kulp was informed that the government wanted the building for navy purposes. Kulp made arrangements for considerable alterations for the navy to the extent of \$50,000 to be paid by the corporation. Under a five year lease the government was to pay \$90,000 the first year, \$85,000 the second, \$80,000 the third, \$75,000 the 4th and \$70,000 the 5th year. The tenant was paid \$10,000 to vacate, Kulp inducing them to accept that sum in lieu of \$15,000. Kulp went to San Francisco and stayed there 60 days and the government moved in on February 2, 1942.

They continued paying the rent until June 30, 1946. I understand from Mosser that the government has moved out and he has possession. I hold \$19,500 of Ferry Station securities in a trust capacity and have held them for 20

years.

Some people in California own the securities but the ultimate beneficiaries under the trust will be Northwestern University.

318 Hearings before Special Master Archie H. Cohen Sept. 18, 1946

(Mr. Herriott stated that when he learned about the \$84,000 of Federal bonds which Darrow had acquired from the First National Bank, he advised Darrow that they should be transferred to the estate. Mr. Mulfinger agreed that they had been turned over to Mr. Mosser.)

MYRTLE JOHNSON

(Cross Examination by Mr. Herriott)

At the time the lease on the Ferry property in San Francisco was arranged with the Navy Department, financing was required.

The corporation needed about \$40,000 for the alterations requested by the Navy but the corporation did not

have the funds.

The Northern Trust Company refused a loan to Darrow.

Darrow told Kulp that any financing would have to be effected in California. He arranged with McDonald and Kahn who had constructed the building to make the alterations and allow us to pay them from the rentals of the building. After awhile McDonald and Kahn asked us to make a payment, if possible, and since we had a good lease the Northern Trust Company made a loan to cover

the balance due McDonald and Kahn.

This amounted to about \$15,000 or \$18,000; the bank was paid in due course. Beside participating in the reorganization of the subsidiaries of Federal already mentioned, I also helped with Irving Park, McKinley Park, North Halsted, Quincy Station, Roseland Building, United States Building Corporation of St. Louis; South Side Post Office, Twenty-Second Street Station and Villa Building. In the National group, I participated in the reorganization of Armour Station, Berwyn, Division and Lavergne Building, Postal Facilities and Los Angeles. I took part in either the preparation of the plans or in bringing about the formation and acceptance of the plans.

(Mr. Mulfinger objected to the entire line of questions which follows and the Master reserved his ruling on its

admissibility.)

In the case of Irving Park the attorney for bondholders owning \$16,000 of \$47,000 in first mortgage bonds contended that the debtor had no equity. He proposed to give the first mortgage bondholders control, allow a small interest to the second mortgage and eliminate the stock. One of the objecting bondholders named Levinson had acquired his bonds through a niece of Kulp and through her I met with Levinson and his attorney. Levinson stated that he did not wish to hurt anyone in the picture if his principal was satisfied.

319 We worked out the plan which paid 3% on the first mortgage bonds, 1% on the second and all additional earnings were to be used to retire bonds. Federal retained all of the stock. Mr. Williamson, in collaboration with the other attorney, prepared the plan. We mimeo-

graphed it in our office and got it out.

In connection with plans, it was frequently necessary for me to contact security holders to obtain their approval. I was personally acquainted with a great many of the shareholders. We effected an extension of the North Halsted bonds without court proceedings at 3% interest. All but \$1500 of the bonds were thus extended for fifteen years. That was done by my calling people up.

I knew many of these people. I told Darrow I thought we could procure an extension without a court proceedings. Federal held all the stock of North Halsted and continued to own it after the extension. That company has never been reorganized in court and the attendant

expense of a court reorganization was saved.

Quincy Station required much negotiation and many conferences and I was present at most of them. The original issue was sold to P. W. Chapman. Besides ourselves, two bondholders' committees were interested and each submitted a plan. The St. Louis Committee's plan was

similar to ours and called for 3% interest.

New York and Chicago committee contemplated 5% interest and the elimination of the stock of Federal entirely. They wanted the stock operated by voting trustees under the management of the first mortgage bondholders. The plan finally agreed upon by all parties permitted the corporation to operate the property. The stock was put in escrow with voting trustees until thirty days before the expiration of the bond issue, the trustees to have supervision of operations.

Thus subject to the plan Federal retained its stock in-

terest.

I attended practically all the meetings of the various groups.

I entered into the general discussions relating to the

buildings.

I argued that the local people who constructed, leased and obtained a non-cancellable lease for the building be given consideration. If the lease had not been changed to a non-cancellable one, the government probably would have been out of the building. The lease then had 320 about six years to run at approximately \$125,000 per annum. I did not contact many of the first mortgage bondholders because the bonds were distributed by P. W. Chapman. The second mortgage bonds were dis-

tributed by Kulp & Co.

I knew all of the bondholders and when we failed to obtain the required 2/3 consents I had to call people on the telephone to obtain consents. Darrow and I discussed each plan in detail and considered the type of building, past earnings, and future possibilities. I believe Darrow attended every meeting with the various groups and he requested me to assist him in the discussions at such meetings as well as in obtaining consents to the plan.

The balance of the plans in Federal followed the same pattern. The particular work I did was in obtaining consents. The holders of the bonds were lackadaisical and in many instances we telephoned or wrote letters asking the security holders to send in their consents. That required my special work because I knew many to whom we wrote. In the case of National, nine subsidiaries were re-

organized.

Four had been started before Darrow came in and I believe one had been completed prior to his appointment. That was Grand Rapids. Ogden Park, Austin and Station D had also been previously started. In the case of Ogden and Austin, I was the one who appeared before the Referee. Ogden, Station D and Austin followed the same general pattern as that adopted in the Federal group. In connection with those it was a matter of getting consents as there was no objection except in the case of Berwyn where a revision of the plan was requested by an attorney-bondholder. I appeared before the Referee in that matter and testified to financial data.

That testimony on the plan was gathered by me and it was my knowledge of the properties gained through the years prior to Darrow's appointment which made it possible for me to testify. The last property I will refer to is Postal, the bonds had been distributed by P. W. Chapman and were substantially held in the East. An attorney from New York said there was a plan worked out under which the first mortgage bondholders would receive stock and no recognition would be had by general creditors nor the owner of the equity.

This attorney left with the impression that they were going to take the property away from us. Darrow talked to the Chicago office of P. W. Chapman. Thereafter another attorney from the New York office came out and we finally agreed upon the plan now in operation. I assisted Darrow in working out that agreement. There was \$190,-000 in second mortgage bonds outstanding, all distributed

by Kulp & Co.; and \$495,000 of first mortgage bonds. National held about \$84,000 of seconds and I succeeded in obtaining consents from the holders of the balance by contacting the people, many of whom I knew. Under the plan National retained its stock ownership and a first mortgage trust committee was appointed. For the assistance I gave Darrow, I never received anything

other than my salary.

I never received any compensation from the subsidiaries for such work. There are two other companies I should like to mention, one of which is LaGrange. No reorganization of that subsidiary has been worked out. The property has been vacant a great deal of the time. I have had a number of calls from bondholders and have advised everyone not to start foreclosing. The other property is Los Angeles.

Mr. Craigin, a large bondholder, indicated that there was no possibility of the owners retaining any of the equity under the plan which he proposed to put through and that the only ones to be considered were the first mortgage bondholders. The Masonic Charitable Organization of Iowa has received \$26,000 in first mortgage bonds through Mrs. Blair, a Florida friend of mine and they

were also represented.

During a meeting with Mr. Westfall who represented the Masons, I said that if there was some consideration given the Trust it would benefit his client, Mrs. Blair. The plan was worked out whereby the bonds were cut in half and the bondholders received voting trust certificates representing in and about 75% of the new stock. The trust received about 25% of the entire stock that was issued. I had been in touch with Mrs. Blair, I spoke to her and wrote her letters. However, I don't believe I called her but worked with Mr. Westfall entirely. In the plans pertaining to National subsidiaries, I worked and conferred with Mr. Darrow in all cases except Grand Rapids, Ogden

Park, Austin and Park View Manor. In the latter case the plans were practically completed when Darrow came in. However, Darrow participated in every detail concerning all the work on plans which took place after his appointment. We discussed financial data of the subsidiaries, their past history and future possibilities.

I advised him on the various matters as far as I could. I have been familiar with the market value of securities

of the subsidiaries from 1921 to date.

The total cost of securities of Federal purchased by Darrow and retained by him to the time of his resignation was \$31,864.55. I know what bonds he purchased. The market value of those bonds as the price he paid.

According to Darrow's final proper, those bonds were worth \$38,321.50 at the darket his resignation.

That would fairly represent the market value at that

That would fairly represent the market value at that time. However, if the bonds were sold at that time through a retail organization, a price could have been obtained above the \$31,864.50.

I stated in a letter to Mr. Roberson dated in October, 1945 that the market value of securities was then \$80,-

885.

There were some second mortgage bonds having a face value of \$5500 which cost him \$550 but at the time of his resignation the corporation was paying 6 which brought

the value down to \$330.

That is the only group which is worth less than he paid for it. In my opinion the bonds were bought at a very low price. The voting trustees set a price of \$6.75 for bonds presented to the sinking fund. That was arrived at by taking the balance of the sinking fund and spreading the amount over all of the second mortgage bonds. I believe there was interest paid on those bonds.

I am speaking of second mortgage bonds of Quincy Station. Darrow acquired a total of \$18,600 second mortgage bonds of Quincy for \$2667.50 of which \$13,100 was sold for \$4,435, which resulted in a profit of \$2,317.50 to

the Trust on the total cost.

On this block \$4,258.34 in interest was collected.

(The Master stated that the \$6.73 which the voting trustees would pay for said bonds was not the market value but an arbitrary figure predicated on the amount

they had in the treasury spread over the outstanding

The market value would be a little higher than that. 323 Hearing before Special Master Archie H. Cohen Sept. 25, 1946

MYRTLE JOHNSON

(Cross Examination by Mr. Herriott)

The market value of the securities purchased by Darrow for \$31,864.50 and retained by him is \$87,100 as of today. In the case of National, according to the final report, various securities of the subsidiaries which Darrow purchased retained and then delivered to Mosser cost him

(Mr. Mulfinger objected to the line of questioning and the Master reserved a ruling on the point.)

The details are shown in Exhibit B of the Final Report in National.

The total block of bonds was worth more at that time than he paid for them. No individual bond cost him more than the market value.

The market value on August 13, 1943 of those bonds was \$56,635.

On Oct. 11, 1945 those securities of National had a value of \$75,294 that includes a block of bonds which Mosser sold to the sinking fund of Postal so that the bonds were not all owned on Oct. 11, 1945.

He sold \$15,500 in first mortgage bonds of Station F at

a price of 75.

Mr. Darrow had purchased \$21,500° of that issue so that after Mosser sold, there remained \$6000 in those bonds. That \$6000 in bonds today has a market value of \$4800 or \$80 per 100. When Mosser sold the bonds to the sinking fund at 75, that was the first time the company

Darrow paid \$11,093.75 for the entire block which figures at a little better than 41½ per 100. The market value today of all the bonds in National which Darrow pur-

chased at a cost of \$47,469.25, would be \$77,179.

The interest collected on this Federal group of bonds was \$21,412.81. As I previously testified the total interest collected on the Federal block of bonds retained by Darof Quincy second mortgage bonds purchased by Darrow was \$4,258.34. As I previously said \$5500 in par value of those bonds were valued as of today by the Voting Trustees of Quincy at less than Darrow's purchase price of 10¢ on the dollar. On that \$5500 in bonds which the Voting Trustees valued at 6, \$1966.25 in interest was collected.

The Voting Trustees presently value those bonds at \$220 less than Darrow paid for them but I do not think that \$330 represents their market value. I believe they

have a value of at least 25¢ on the dollar.

The price of 6 was set on the bonds by the Voting Trus-

tees several years ago while Darrow was trustee.

In 1937 they had placed a value of 35 on the bonds which remained in effect up to June 30, 1938 when the price was changed to \$30 per \$100. When the earnings showed no funds available for second mortgage interest and no funds for first mortgage retirement, the board decided it would take the unexpended funds in the second mortgage sinking fund and pro rate it over all the second mortgage bonds. Thus the figure of 6 plus was arrived at. The actual market value was not taken into consideration. In 1939 the price was reduced to \$30 for the second mortgage bonds sinking fund.

The entire block of \$18,300 par except the \$5500 still held by the trustee were sold to the sinking fund for

\$4,435 which is an average of about 321/2.

In the block of securities bought by Darrow in both Federal and National and held by him until he resigned were included some of the securities which Darrow purchased from me and which I had acquired through the Seligman case. Darrow paid me \$12,447.55 for these Seligman securities which I purchased. Their market value at that time was \$20,120. I have included those bonds in giving my testimony regarding securities which Darrow purchased and which he retained until his resignation.

The market value of those securities purchased by Dar-

row for \$12,447,55 today is \$31,195.

A statement of the securities purchased by Colonial and sold to National or its subsidiaries at cost to Colonial was marked Resp. Ex. 7 for id. A statement representing purchases by Colonial and resold to National or the sub-

sidiaries where the selling price was less than the cost was marked Resp. Ex. 8 for id. A statement showing securities purchased by Colonial and resold to Federal or its subsidiaries at cost was marked Resp. Ex. 9 for id. A statement showing securities purchased by Colonial and resold to National or its subsidiaries where the selling price was less than the cost was marked Resp. Exh. 10 for id.)

These exhibits show the cost to Colonial and sell-325 ing price to Darrow or the subsidiaries. The information for these exhibits was taken from the books and records of Colonial and verified by photostatic copies of records made by the S. E. C. When I first prepared Data for the objectors showing transactions between Colonial and Darrow, I included this information.

Exhibit 8 contains one transaction where Jacob Kulp bought some securities of Ogden Park and sold them to Ogden Park. I prepared these exhibits and they are true

and correct.

(A statement representing a tabulation of the commissions earned and paid to Robinson by Colonial as salesman's commissions on the underlying securities of National was marked Resp. Exh. 11 for id. A similar tabulation pertaining to Federal was marked Resp. Exh. 12 for id.)

I prepared Exh. 11 and obtained the information from

the records of Colonial's commission account.

The information on Exh. 11 is true and correct. I obtained the information for Exh. 12 from the same source

and the dates and figures are true and correct.

There were no transactions between me and Darrow in which I sold to him securities at cost to me or less than cost. Neither Colonial nor I ever paid Darrow any money or compensation.

Mr. Darrow did not to my knowledge participate in any of the transactions whereby he purchased securities from

Colonial or me except as the purchaser.

MYRTLE JOHNSON

(Redirect Examination by Mr. Roberson)

Resp. Exh. 11 and 12 will tie up with the names on the exhibits showing the transactions where there is a profit. I don't believe that the transactions set forth in Resp.

Exh. 11 and 12 are reflected in Resp. Exh. 7, 8, 9 and 10 because Exhs. 11 and 12 refer to cases where a profit was made.

I gave Mr. Darrow the benefit of my knowledge of the operation of these subsidiaries and the formation of the plans. My salary started at \$250 a month and later was

changed to \$275.

326 Darrow never agreed to give me anything in addition to my salary for my services in the formation of the plans. National has outstanding 46,636½ shares. I filed a claim on behalf of Joseph Baumann, Jacob Kulp and myself for 10,761.6 shares. I filed another claim for about 1300 shares as executrix of the estate of Alice M. Powell.

I acquired the interests in National upon which I filed claims from Michael Tauber & Co. through the Seligman case. This 10,761.6 shares were a part of group 2 in the Seligman sale. Mr. Baumann's interest will be to the extent of repaying him the amount of his loan with in-

terest as well as the indebtedness to his wife.

After these claims are satisfied Kulp and I will share the proceeds equally. The principal amount of the loan from Joseph Baumann is \$50,000 with interest since 1933. The amount owed Mrs. Baumann is approximately \$75,000 plus accrued interest since about 1931 or 1932. These loans were scheduled in the Joseph Kulp & Co. bank-

ruptey.

As far as I recollect Joseph Baumann and Mrs. Baumann filed a claim against Kulp & Co. in the bankruptcy case. The \$50,000 claim of Joseph Baumann represents an unpaid balance of a loan of \$90,000 made to Kulp & Co. and guaranteed by Jacob Kulp about 1930 or 1931. The loan of Mrs. Baumann consisted of marketable securities and a block of bonds of the companies underwritten by Kulp & Co.

She turned them over to Jacob Kulp and he pledged them as collateral with the New York Trust Company. They had a market value of about \$78,000. Thus Kulp borrowed close to \$170,000 from Mr. and Mrs. Baumann

at that time.

The securities of Mrs. Baumann included 400 shares of General Electric stock, 200 shares of Electric Bond and Share and a number of miscellaneous bonds of Jacob Kulp and the companies underlying the Trust. These securities and others were pledged as collateral by Kulp & Co. for a loan with the New York Trust Company. I do not re-

member the amount of the loan. The loan was made to

Mr. Kulp in about 1931.

At the time of the Kulp & Co. bankruptcy the New York Trust Company still had a balance due, and sustained a loss when the collateral was liquidated. The \$90,000 loan to Kulp by Joseph Baumann originally was secured by some stock of the subsidiaries of National and Federal and I believe by the stock of U. S. Parcel Post Building of Cleveland.

Mr. Baumann does not still hold that collateral. It was returned to Kulp when he delivered the 10,761 shares of stock which he now holds. That was an exchange of 327 collateral. Joseph Baumann is Kulp's step-son-in-law

and his wife's name is Mozette Baumann.

The trustee of National I believe now holds the stock of the underlying companies of National. Part of these stocks were formerly held by Baumann. Guild holds these securities of Federal. They were held by Baumann and turned over to the trustee of the two Trusts when the new certificates were issued at the time of the formation of the Trusts, that is 1929 for Federal and 1930 for National. Baumann exchanged his original collateral for 10,000 shares of National in 10,761 shares.

When National was formed Kulp had I believe 20,761.6 shares; out of that block he gave Baumann the 10,000 shares to hold in lieu of the collateral which he had. A claim was filed by Jacob Kulp in the National case cover-

ing that 10,000 shares.

No consideration was furnished by Baumann for the 10,761.6 shares acquired in the Seligman case. Prior to the acquisition of the shares through the Seligman case, there was an agreement with Baumann regarding them.

Kulp and I made arrangements with Baumann to borrow \$15,000 to make the purchase in the Seligman case and if he advanced the money we would give him the securities acquired but he did not make the \$15,000 loan to us.

Baumann advanced none of the money for our original purchase of the Seligman securities but he later purchased \$8000 of Crandon bonds for his daughter Jane at a price of \$2400 through Colonial. Those bonds were part of Group 1 which went to Colonial. Said bonds were transferred by me to Colonial and later the Crandon bonds were sold by Colonial to Baumann.

Subject to the loans which I have heretofore mentioned, the 20,761.6 shares of National would belong to Kulp and me. Federal has 100,000 shares of beneficial interest outstanding. I filed a claim on behalf of Baumann,

Klulp and myself on 62,358 shares.

These shares were acquired through the Seligman case. My answer with respect to the interests of myself, Kulp and Baumann would be the same in regard to these Federal shares as it was regarding the National shares. I also filed a claim on behalf of myself, Kulp and Baumann on \$286,100 face value of Federal bonds.

These bonds were acquired from Michael Tauber through the Seligman case. My answer with respect to the interest of myself, Kulp and Baumann in those of Federal would be the same as my answer to the claim based upon

the shares of Federal and National. Neither Kulp, 328 Baumann or I has possession of 10,761.6 shares of

National, 62,358 shares of Federal and \$286,100 face amount of Federal bonds. As far as I know these bonds are in a safety deposit box in the Continental Illinois.

I consider that I have an interest in the securities of

both Trusts which are in the Safety Deposit Box.

(In answer to a question as to whether the witness believed she had such an interest at the time she was work-

ing on the plans, she stated:)

Under the agreement entered into in July 1933 between Andresen and Kulp, there is a provision that Kulp has a residuary interest in the securities. My understanding with Kulp is that I am to share in the shares of Federal and National that were in that Trust, subject to the terms of the Trust.

The plans of reorganization were worked out in 1935, 1936 and 1937. The securities were then in the hands of a receiver and what disposition would be made of them was hard to tell when we were working on the plans.

329 Hearing before Special Master Archie H. Cohen October 4, 1946

MYRTLE JOHNSON

(Redirect Examination by Mr. Roberson)

According to SEO Exh. 24, three subsidiaries of Federal had plans which contained provisions for claims of Kulp & Co., as follows: Ferry Station \$34,864.21; Irving

Park \$4,374.38; and McKinley Park Station Building \$6, 402.05.

Similar provisions for Kulp & Co., claims were made in the plans of three subsidiaries of National, as follows: Berwyn P. O., \$2,995; Los Angeles \$2,145.04; and Postal \$30,529.68.

Provision was made in the plans of these six subsidi-

aries for the claims of Kulp & Company.

These claims were a portion of the accounts receivable of Kulp & Co., sold by Klein to Tauber & Co., and in turn sold by Tauber to me. When the plans were drawn up, approved, and confirmed I knew the origin of these claims.

The monies which were advanced by Kulp & Co., to these six subsidiaries and which formed the basis for the claims, included the co-mingled funds of the receipts from the other buildings but not such receipts exclusively. I don't recall having explained to Darrow that these claims came from a fund containing monies of the other subsidiaries.

So far as I recall I did not suggest to Darrow or his attorneys that objections might be filed to these claims. These accounts receivable against the six subsidiaries are presently held by Joseph Baumann.

Darrow knew the relationship of Baumann to Kulp. The only plan I drew was for the voluntary extension of the bonds in North Halsted. The claims of Kulp & Co., against these six subsidiaries, were included because the attorneys had balance sheets showing them.

I did not suggest that they be eliminated. Among the accounts receivable purchased from Tauber was an item

of \$15,096.62 against Federal.

330 Darrow and I made it a practice to discuss in detail every provision of the various plans, but I don't recall discussing these plans in detail, or that Darrow asked me anything specific about them. I did not make any attempt to examine into the basis for the claims.

I was fairly well acquainted with the holders of the bonds of subsidiaries whose issues had been sold by Kulp & Co. While we were working on the plans Colonial bought and sold a lot of bonds. The purchases helped the subsidiaries because they could buy from Colonial at an attractive price for their sinking funds.

I don't remember that I told any bondholders from

whom we bought bonds that Darrow was also buying them. I told lots of them that they were receiving the market price. I don't recall that I subsequently told any of them that I resold the bonds to Darrow at a higher price.

Where we bought bonds and sold them to Darrow the same day the price paid to the customer or paid to Darrow was not necessarily the market price. That would be established by the trust committee or Darrow operating the various sinking funds. In fact, I didn't use the term market price in buying or selling bonds. I don't recall that I was asked about the market price when people came in to sell. The market for the bonds was not determined in the office of Colonial.

To a great extent the price was determined by Darrow and the trust committees operating the sinking funds. A lot of these bonds were traded over-the-counter by dozens of houses.

Very often I knew the price fixed by Darrow or the committee for sinking fund purchases when I bought bonds from a bondholder. Thus in some instances I knew when I bought bonds that I could resell them to Darrow at a higher price. The letter to Mr. Roberson dated October 11, 1945 containing my opinion of the present market for bonds purchased by Darrow was not requested by him.

They have also increased in value since Mosser became trustee. I am familiar with real estate securities. The market value of real estate securities has increased generally over this same period. There is nothing unusual about the increase in value of these particular real estate securities.

I don't think these securities increased just proportionately to other real estate bonds because there were special circumstances which had some influence on the price. In some instances the percentage of increase was greater than the average. One factor was the existence of sinking funds which started to operate.

However, it all relates to earnings and any bond issue with a sinking fund provision relating to earn-

ings would have money in the sinking fund when there were earnings.

There are factors which make these sinking funds probably a little different from some others and permitted them to have more cash available. This would make a difference in the price of the securities.

MYRTLE JOHNSON

(Redirect Examination by Mr. Mulfinger)

A petition for reorganization was filed for Roseland. I worked on that reorganization but it was never completed. Carl and Wilma Compton signed the bonds. She is my mother's sister, and he is her husband. That didn't cause any difficulty in the matter. I never discussed that with his attorneys. In working on the plans I considered that I represented the trust.

At that time I was probably the owner of bonds of some of the subsidiaries. In these reorganizations Darrow consulted with the various parties, figured out prospective

earnings, and presented his ideas for plans.

He devoted considerable time to these reorganizations. Attorney Lowenthal suggested that we have Tauber acquire the accounts receivable. Lowenthal represented Kulp & Co., and he handled this matter for me. Goldman filed claims on behalf of Baumann and Mrs. Baumann. had no counsel in connection with acquiring the accounts receivable. It was our purpose in acquiring these accounts receivable to see that they came into friendly hands, that is, the hands of one who would not press them.

Baumann had a substantial interest in National because he held 10,000 shares as collateral. Kulp and I for 14 years had tried to keep all the subsidiaries above water. Kulp could have taken his good properties and forgotten the bad ones, but that would have hurt a lot of security holders. Baumann has not at any time pressed any of these claims that were allowed in the reorganization proceedings and they have been held intact.

I didn't say that I had in mind that eventually these claims could be cancelled. I don't know what disposition will be made of them. When the indebtedness of Kulp to Baumann is cleared up the claims will come back to Kulp and me, and I don't think we have been unfriendly

in any of these proceedings.

I believe I realized \$350 or \$400 out of the bonds I acquired with the receivables. Baumann gave me the balance of the cost and "just added that to what Mr. Kulp owed him". I was paid this money in Kulp's home after the purchase in January, 1937.

Kulp turned over all his interest in bonds of the subsidi-

aries and certificates of beneficial interest to the Andresen trust. The agreement says that Kulp has a residuary

interest in those securities.

His residuary interest was not turned over to the receiver, Mr. Hawley, I don't know whether or not the Master so found. After Baumann is paid off Kulp and I might participate in the equitable interest in the 10,000 shares of National transferred to Baumann. I acquired a beneficial interest therein subject to the indebtedness that he has. Kulp owned the beneficial interest in those 10,000 shares originally.

I didn't acquire any interest in that particular 10,000 shares and would have only what interest Mr. Kulp might give me. I consider that I have an interest in the other block of 10,761 shares. I acquired the interest when I purchased the securities at the Bolton sale (in the Seligman litigation). Baumann never authorized me to cancel the \$48,000 claim which he claims to have against National.

Baumann through his attorney George Sullivan sent a telegram to the SEC in 1943 in respect to that item as well as the rest of the securities of the Continental Bank. The difficulty in reorganizing Roseland arose from the fact that the property was not well located and we never had any money.

As I recall the Government moved out in 1932 and we had all kinds of tenants and ran into a zoning proposition. I never considered that I owed that building any rent. Mrs. Revoir wanted to operate a roller skating rick.

After she ran into some difficulty on financing I acquired a ½ interest in the rink in consideration for putting up money needed to start operating. We operated about 8 or 9 months, but it was not profitable. When the skating rink closed there was some rent owed and it has not been paid.

I told Darrow of the trouble my partner and I were having in operating the rink. I went into the venture because the corporation had already expended money for the cost of the floor and I felt that if Mrs. Revoir had somebody who knew something about business we might make

a success of it.

333 Everybody knew about our partnership so I don't think it was silent.

MYRTLE JOHNSON

(Examination by Mr. Roberson)

Darrow met Baumann in New York about two years after Darrow came in.

MYRTLE JOHNSON

(Redirect Examination by Mr. Courshon)

I owned an interest in the block of certificates of beneficial interest in the Continental Bank and I put in a list here of other securities of the trusts and subsidiaries that had been purchased and what had been done with them. I owned some of these securities in my own right.

We own other units of beneficial interest which we have in Colonial but I didn't even bother to file a claim on them. They are owned by Colonial and I have an interest in them. I have a few shares of Federal in my name.

I own bonds of the subsidiary corporation but no record

of my ownership appears in these proceedings.

There was one instance I believe in the case of the Ferry Station issue where Darrow bought some of the bonds and sold them at a profit to outsiders. So far as I recall that is the only instance in which Darrow bought any of these securities and sold them to outsiders.

I believe there were two or three transactions on that

same issue-Ferry Station First Mortgage Bonds.

In no other instances were the securities purchased by Darrow sold to outsiders.

PAUL E. DARROW

(Redirect Examination by Mr. Roberson)

In regard to the claims of Kulp & Co., for which provisions were made in the plans of 6 subsidiaries I satisfied myself that they were fair and correct. I knew that the funds advanced to the subsidiaries came from the account of Kulp & Co., which received all the income of the subsidiaries as well as other income.

about the account of Kulp & Co., containing the rental income of the securities "as soon as I got over there", which was early in 1935. I don't think that I interposed any objection to these claims of Kulp & Company. I don't

think I discussed with Miss Johnson or anyone else the possibility of objecting to them. I am satisfied that my lawyer went into the claims and wouldn't have allowed

them if he hadn't thought they were proper.

Since I discussed everything with my lawyer I think I discussed this matter with him, but specifically I don't remember any of the particular items we talked about. I don't remember discussing these claims with Johnson or Kulp. I have known Joseph Baumann probably 8 or 10 years. I met him first in New York City. The only time I have ever seen him was at Mrs. Kulp's funeral two or three months ago.

Since my visit with Baumann was only social I don't believe I ever told him anything (about my connection with the trusts). I don't recall any conversation with Baumann regarding Federal, National, or the subsidiaries. I don't think he ever mentioned anything to me about Kulp or Johnson. When I met him in New York it was at his home and the members of his family were present and you usually don't discuss business under those circum-

stances.

Baumann has never been in my Chicago office so far as I remember. If there was any correspondence with Baumann it was probably written by Miss Johnson. I met Baumann in New York when Kulp and I went there in regard to a threatened condemnation of Postal. I talked to Baumann only once on that trip at his home and never saw him again until Mrs. Kulp's funeral, so far as I remember. As I recall nothing was said by Kulp, Baumann or me to indicate that I was trustee.

Probably the fact that Baumann had securities and never asked me about them would indicate he knew that I was trustee, he knew who were associated with me and he would procure the information from them because he saw

them frequently.

The purchase of a block of securities in the Fall of 1936 or early 1937 by me from Colonial for \$12,000 included \$84,000 of Federal bonds which I recently turned over to Mosser. They were kept in a safety box from the time of my resignation until I turned them over to Mosser. They were not kept in my personal box but in the box I kept as trustee until I resigned and in the box that I kept as representative of various subsidiaries thereafter. I have a slip in that box showing that none of the things contained therein are mine.

335 That box now also contains securities and papers of 6748 Crandon, Los Angeles, Park View, 6929 North Clark and Windsor Shore. The box contains securities and papers.

I have bonds there of all or most of those corporations. Some of those bonds have been cancelled. All that I have are the property of the issuing corporations, respec-

tively.

(In response to a question by the Master, the witness

stated:)

In my opinion none of those bonds or securities should be turned over to Mosser.—I have no other securities issued by the top trusts or subsidiaries and belonging to the top trusts or subsidiaries.

This box is located at the First National Bank and is

kept in my name individually.

The box containing my privately held papers is also in the First National Bank and in my individual name.

336 Hearing before Special Master Archie H. Cohen November 1, 1946

MYRTLE JOHNSON

(Examination by Mr. Mayer)

Where an asterisk appears before an item on Resp. Ex. 11 and 12, that means that the purchase was made from the person listed and the bond was subsequently sold to Darrow in one of his fiduciary capacities. The sales to

Darrow were made by Colonial.

I handled the transaction (for Colonial with Darrow). The commission to the salesman was based on the difference between what the salesman took the bond in for and the selling price to Darrow. The salesman made the purchase from an outsider. Where no asterisk appears on Resp. Ex. 11 and 12 the salesman sold that bond to an outsider and his commission was based on the difference between the cost to Colonial and the sale price to the outsider.

Except in transactions involving Darrow, the salesman bought from an outsider and sold to an outsider. Except in sales to Darrow, no commissions were allowed on the purchase of securities,—only on the sales of securities.

In the case of sales to Darrow the commissions were not credited to the salesman until after the sale to Darrow.

In all cases commissions were not credited until the sale was consummated.

In the case of a transaction with Darrow the salesman

did not make the sale to Darrow.

His commission resulted from his having purchased the securities. On Resp. Ex. 11 the footnote reflects that the difference between cost to Colonial and the selling price to Darrow of securities sold to Darrow amounted to \$283 and of that amount Robinson was allowed \$188.64. I would not say that the securities on Resp. Ex. 11 and 12 which were sold to Darrow were purchased with the expectation of a sale to Darrow. It seems that we were buying securities at that time.

These salesmen would receive a commission only when the security was disposed of, whether to Darrow or to an outsider. If the security was sold to an outsider by one salesman after having been purchased for Colonial by another, we would work something out on the question of a commission. The salesman who made the sale would obtain a commission if a profit was realized. I do not recall any instance where the salesman who purchased the security but did not effect the sale obtaining a commis-

337 In the cases involving Darrow the salesmen did not make the sale but they had acquired the bond and got the commission. Darrow was also buying from brokerage houses on the street. He purchased for the sinking fund at the going price. I knew what the trust committee told him he could pay for the bonds.

(Mr. Mulfinger reserved his questions on Resp. Exs. 7 through 12 for id. until they are received in evidence).

MYRTLE JOHNSON

sion.

(Examination by Mr. Courshon)

At the time the salesman bought the bonds, it may have been the intention simply to acquire them for the account of Colonial in some instances and we may have wanted the bonds for sinking fund purposes knowing we could sell them to the sinking fund. It is not true that the only time we had salesmen acquire bonds was when Darrow required those particular bonds. It would be substantially true to say that the only time we had the salesman purchase bonds was when we had a customer or could sell them to Darrow.

MYRTLE JOHNSON

(Examination by Mr. Roberson)

In the ordinary course of events it was not our practice to pay salesmen the commission at the time they purchased a bond.

(The witness produced a list showing shares of the top trusts which she acquired during Darrow's administration)
There were no bonds acquired during that period by me.
They were acquired by Colonial and are still held.

(A document containing a list of purchases made by Myrtle Johnson of units of beneficial interest of Federal from April 16, 1937 to Feb. 24, 1943 and of National from May 25, 1940 to February 25, 1943, was marked Guild's Ex. 1 for id. as of 11/1/46)

I do not now own any bonds purchased during Darrow's administration. This applies to bonds of the subsidiaries as well as the top trusts.

I own all the certificates of beneficial interest shown on the exhibit and I own other certificates of beneficial interest of the top trusts.

338 The certificates shown on said exhibit plus the securities in the Seligman case constitute all the certificates which I still own and which were acquired during Darrow's administration. I own bonds or securities issued by subsidiaries.

I do not own any bonds of subsidiaries which I bought during Darrow's administration.

MYRTLE JOHNSON

(Examination by Mr. Mulfinger)

During the time I was in partnership with Miss Devior in the operation of the skating rink, \$1,300.28 accrued in rent and remains unpaid.

339 Hearing before Special Master Archie H. Cohen November 12-13, 1946

(After argument the Master ruled that Joseph Baumann could not be called as an adverse witness under Rule 43 of the Federal Rules of Civil Procedure).

JOSEPH BAUMANN

(Examination by Mr. Roberson)

My name is Joseph Baumann, 607 West End Avenue, New York, New York. I am president of S. Baumann & Brother furniture house. I have been in that business in New York for over 45 years, and have never engaged in any other type of business. I have never been in the securities or mortgage business. I have spent all my life in New York. I have visited Chicago in my business at least twice a year for the two markets.

Had been here at least a week on each occasion. I have known Jacob Kulp since I married his daughter, Mozette H., about 35 years ago. I have also known Myrtle Johnson

about 35 years.

I knew Miss Johnson was employed by my father-inlaw. I may have been in Kulp's office in Chicago once but I doubt it very much. I wouldn't know where his place of business was at any time.

I knew my father-in-law when he was in the furniture

business with Harris Brothers.

I heard of Jacob Kulp and Company, I bought Post

Office bonds and other securities from him.

I bought securities from Kulp & Co. as early as 1926. Originally I believe I dealt with Kulp and subsequently I believe I bought some securities from Miss Johnson. believe she was Kulp's secretary.

I wouldn't know whether or not she was an officer of

Kulp & Co.

I don't recall whether I ever heard of Colonial. I believe my dealings were with Kulp & Co. I made a loan to

The original note was dated June 2, 1930, for a loan to

him of \$80,000.

(The Master: The witness has produced a note dated June 2, 1930, at New York for \$80,000 due one year after date with interest at the prevailing rate and reciting that

the following security was deposited as collateral: 340 all of the stock of Crandon Shore, Austin P. O., Rogers

Park, Windsor Park and Grand Rapids and all of the stock owned by Kulp of U. S. Parcel Post. It is signed by Jacob Kulp & Co. and on the reverse is personally guaranteed by Jacob Kulp. On the reverse side the following payments are indicated:

7/11/30, \$5,000 plus interest;

8/12/30, \$5,000 plus interest;

6/26/31 \$15,000: 6/ 2/32 \$2,500:

8/ 2/32

\$2,000: 9/12/32 \$500.)

No additional payments other than those shown on the note were made. Those payments total \$30,000. The last payment on principal was on September 12, 1932, and the last payment on interest was on February 15, 1935, according to the ledger sheets kept by my secretary. The last payment of principal is on the back of the note. Thus the balance of principal is \$50,000. I received the collateral mentioned in the note and I believe I got it the time I loaned the money to my father-in-law. I put up collateral for the money with the Manufacturers Trust Company to borrow the money for him.

I returned the collateral mentioned in the note to my father-in-law for some shares of National about four, five or six months later. I got a certificate for 10,000 shares

of National indorsed by him.

The certificate is in my vault in New York. It was in-

dorsed in blank by Kulp.

It is still in my vault. To the best of my recollection Kulp asked for the stocks originally pledged with me to form this trust. I think Kulp brought a certificate to me and said it was ample security for my loan. I still had confidence in him. I did not ask him what National was.

I don't think he mentioned the name of the trust he was forming but just said he was forming a trust, and I gave him the securities. I believe I got the new securities about

six months after I gave him the stock.

I have recently learned that my wife made a loan to Kulp & Co. She told me she had some General Electric and Electric Bond and Share and some bonds that she loaned to Kulp. I discovered that when my moth in-law died just a short time ago. I think she had some evidence of the loan but I don't know what it was. My mother-in-

law died in February 1946.

That was the first time I knew that she had made any loan to Kulp and Co. or to Kulp. I did not know the extent of the bond issues against the corporations whose stock I held as collateral, nor did I inquire as to

their debts. I didn't know the value of the stock but took Kulp's word for it.

When I made the loan I received no security other than

the collateral mentioned in the note.

I didn't know anything about the properties of these several corporations. I knew they had been constructed primarily for leasing to the Government because I held

some bonds that I had purchased.

I had bought bonds of South Side P. O. Service Station, McKinley Park, U. S. P. O., Station "D", Austin, Ogden Park, 22nd Street, 6748 Crandon, Park View Manor, 6929 North Clark, Station "F", Postal Facilities and U. S. Parcel Post. My daughter, my wife and I owned these bonds.

My daughters are Jane Baumann and Marahlea Abrams. I didn't know anything about the financial condition of these corporations but I received interest. I did not discuss with Kulp or Johnson anything about the leases on these properties.

I figured my money was secure because the Government occupied a great many of the buildings and doesn't default

on its rents.

I have heard of Federal Facilities Realty Trust. I wouldn't know the purpose for which National and Federal were formed.

I believe I have an interest in Federal. I haven't any certificates of National or Federal that were issued as a

result of turning in bonds of the subsidiaries.

"I don't recall whether I was ever informed that I could have exchanged some of my bonds for certificates of beneficial interest.

I knew that Kulp and Co. went into bankruptcy. I think

Louis Goldman represented me.

The 10,000 shares of National that I received as collateral for the \$80,000 note are still in my box and have never been disturbed.

The only security I received was the original securities

and then I got the 10,000 shares.

(Claim filed by Joseph Baumann in the amount of \$54,-158.33 on June 12, 1936, in the Kulp and Co. bankruptcy case was marked S.E.C. Ex. 28 for id. It was marked in pencil with leave to substitute a photostatic copy.)

342 That exhibit bears my signature. The power of attorney on the reverse side also bears my signature.

(S.E.C. Ex. 28 was received in evidence). I most likely

did read this proof of claim before I signed it.

(When the witness was asked whether he held any security for this debt of Kulp and Co., Mr. Herriott objected on the ground it had already been answered, but Mr. Mulfinger stated it was appropriate since the exhibit states he received no security. Mr. Herriott then said that the witness had received no security from the bankrupt but only from Jacob Kulp as he had testified.)

I held no other security except what I have mentioned.

I believe I signed the claim in blank.

My secretary took my acknowledgment. This (indicating the body of the claim) is not her handwriting nor mine and I don't know whose it is. I can't truthfully say whether or not I signed the proof of debt in blank and mailed it to my attorney.

I don't recall whether I informed Mr. Goldman, my attorney, that I had security for this debt. I can't recall whether I told him I had a note and also security for the debt. I believe Goldman is related distantly in some way

to my wife.

I don't believe Goldman represented me in any other matters. When Kulp and Co. went into bankruptcy I did not inquire or make any investigation as to its assets or the likelihood of my receiving payment. I only had my father-

in-law's word that I wouldn't lose any money.

I didn't discuss the filing of the claim with my father-in-law. He told me I would not lose any money when I made the loan. I didn't discuss it with him at the time of the bankruptcy nor with Miss Johnson. At the time of the bankuptcy I did not know whether Kulp was financially able to pay the \$50,000 balance on the note. I did not inquire into the value of my collateral.

I didn't know what National owned, or the names of the

subsidiaries.

It would be hard for me to say whether I had any information regarding reorganization of the subsidiaries. I don't remember whether I received any notice from any of the courts are aliented to the courts.

of the courts regarding such proceedings.

I don't recall whether I knew that National and Federal were in reorganization. I don't believe I knew they were having difficulty and their affairs were being administered under a court. I don't recall that I ever discussed the

matter with Miss Johnson or Mr. Kulp.

343 I may have written to inquire why I wasn't getting any interest on bonds. I believe I knew that the sale of the receivables would take place prior to the sale.

I believe Miss Johnson informed me of that. I advised

her to purchase them for me.

I said I would pay between \$5,000 and \$10,000 for them. I was willing to risk the additional amount to protect

myself on my note.

I don't think I knew what the receivables were but relied on Miss Johnson. We discussed it over the wire. We would call my mother-in-law's house in Chicago or they would call us once a week and Miss Johnson was usually there. As a general habit we did not discuss business affairs.

She didn't discuss the financial condition of the companies against which these receivables lay. I can't recall that she told me the companies were in reorganization. I don't believe she told me that any of the receivables had already been accorded participation under plans.

Miss Johnson informed me that the receivables were possibly worth \$5,000 or \$10,000. I can't say I knew that she was performing services in connection with the re-

organizations of these corporations.

I had so much confidence in her because she was in the employ of my father-in-law. I didn't know that my father-in-law was still associated with the properties at that time,

(the fall of 1936).

I had Miss Johnson buy the receivables for me. I believe she paid about \$500. I paid her by cash in Chicago. She might have told me what she paid for them but I don't recall. She most likely told me how she arrived at this price of \$500 but I have no recollection of it.

When I gave her the \$500 she gave me the securities which are now in my vault. I did not have an attorney

examine these papers at any time.

I think I purchased them to secure myself on my \$50,000. Miss Johnson suggested that I purchase the securities as additional protection. I don't hold the receivables as collateral but as protection against the indebtedness to me of my father-in-law or Kulp and Co.

If the original 10,000 shares of National are sufficient to protect me, I really don't know what will happen to

the receivables.

344 I don't think I got an inventory or list of the receivables when I bought them.

When I obtained the receivables from Miss Johnson in Chicago, I don't believe I inquired why they cost \$500 in-

stead of between \$5,000 and \$10,000.

I was not interested in buying the books and records of Kulp and Co. Miss Johnson did not inform me as to what disposition was made of the books and records. I don't know whether or not Miss Johnson ever told me that she wanted the receivables in my hands so that they would not be in unfriendly hands.

The thought of buying the receivables came from Miss Johnson. She thought it would be a good idea to buy them as protection. I believe that was the only reason she gave.

I can't recall whether there was any other reason why

I was interested in purchasing these accounts.

The statements of Miss Johnson in the record regarding the reason for my purchasing the receivables (p. 1208) and her statement that she discussed the assets of the trust with me (pp. 1188-9) do not refresh my recollection.

I don't believe Miss Johnson discussed the assets of the trust with me when the loan was originally made and I don't recall that she discussed the assets with me there-

after.

I do not recall whether I ever engaged in a discussion regarding the financial condition of any of the post office

buildings, or anything pertaining to them.

I think there was something to that effect, but it is not clear in my mind. I can't say whether or not Miss Johnson was correct in stating (p. 1190) that she discussed the matter with me in 1946, when I was here for Mrs. Kulp's funeral.

I don't recall whether I discussed the matter with Miss

Johnson or Kulp between 1930 and 1946.

I never inquired as to the value of the collateral securing this loan. I don't believe I filed a claim against National as owner or as holder of collateral of 10,000 shares.

Kulp never discussed with me his filing a claim thereon, or the advisability of anybody filing such a claim.

345 I don't think I filed or authorized filing of any claim against National or Federal. I belie e I have an interest in some stocks and securities here in Chicago relating to National and Federal, but I can't say what that interest is.

Miss Johnson and I had some discussion about my buy-

ing some securities in the Seligman case.

Before testifying here, I went over the matter with Miss Johnson to try to refresh my recollection. I was in Mr. Herriott's office yesterday.

I never discussed the matter with Mulfinger, Courshon, Mayer or Roberson. I was never shown the transcript

of prior testimony nor was it read to me.

I believe if what I have in my box will not cover my debt, I would have a claim against the securities here: \$200,000 or \$300,000 bonds of Federal, 10,000 shares of National and some shares of Federal. I was asked to furnish funds to purchase them, and had the cash.

I was not called upon for funds, but was promised the securities as protection for my loan when I offered to loan

\$25,000 for a limited time.

Miss Johnson was to call on me if she needed the \$25,000. I never saw the securities nor obtained possession of them. I know Darrow. I met him during the New York World's Fair when he was at my home for dinner.

I can't recall whether I inquired of Kulp or Johnson why I was not receiving payments on the Kulp & Co. note

or on subsidiaries' bonds.

Neither Kulp nor Johnson discussed with me the financial condition of Kulp & Co. or the subsidiaries that necessitated suspension of payments, and I wasn't interested. I might have made inquiry as to suspension of payments, but I don't recall. I don't think I ever knew that Darrow was trustee of National and Federal. I don't remember his being in the picture at all. I don't recall, but I don't believe that I did know there was a trustee of National and Federal. Darrow was a personal guest to my house for dinner, that is all.

My wife knew Mr. and Mrs. Darrow and invited him. I can't recall whether I knew that Kulp and Johnson were still working in connection with management of the properties of the corporations whose bonds I held from 1935 on.

During my twice yearly trips to Chicago, I would see Kulp and Johnson frequently. I stopped at my mother-

in-law's. We didn't discuss matters regarding Na-346 tional and Federal. I was here on business and spent most of my time at the Furniture Exchange.

I can't recall whether I learned through Kulp, Miss

Johnson of otherwise that National and Federal were in reorganization. I guess I first learned about it yesterday from Miss Johnson. I still don't know it "if you ask me point blank," nor do I know anything about the securities.

And I am not interested. I am interested only in getting the money I loaned my father-in-law. I am not worried about it because he guaranteed it. I trust him and Miss Johnson implicitly. I don't believe I was interested in the fact that the reorganization of National would affect the value of my security.

I met Darrow twice in New York and these are the

only times-both during New York World's Fair.

We didn't discuss business at all. I didn't know he had any interest in National or Federal. I don't think I knew that Kulp and Miss Johnson were associated with him in business.

I don't believe they told me with whom them were associated. I wouldn't want to say that Darrow's name was never mentioned in my semi-annual trips to Chicago or our weekly telephone calls. I spoke to Miss Johnson often on the telephone when she was at the (Kulp) house.

I always believed Kulp was with Kulp & Co. after 1935. I know Miss Johnson was at the office right along. I didn't know Kulp had an employee from 1935 to 1943. I don't believe I knew he had lost control of the trusts.

And I believed Miss Johnson was still with Kulp & Co. I don't understand Miss Johnson's statement (p. 1209) that I cooperated in working out the plans of the companies in which I owned securities. If she asked me to return the securities I would do so. I had nothing to do with any reorganization to my knowledge.

I did not discuss with Kulp or Miss Johnson between

1935 and 1943 any affairs of Kulp & Co.

The weekly telephone calls were just short personal calls. We did not discuss business although Kulp might

have asked how the furniture business was.

It is my recollection that we did not discuss National or Federal. To my knowledge I did not file any claims against any of the subsidiaries. I don't recall whether I received notice that the time for filing claims had been

fixed in the reorganization of the subsidiaries.

347 I didn't discuss with Kulp or Johnson the appoint-

ment of a trustee for National and Federal. I don't recall whether, from 1935 to November 11, 1946, I knew that National or Federal was in reorganization. I don't recall whether I had any such information. And that is true as to the subsidiaries also.

JOSEPH BAUMANN

(Cross Examination by Mr. Herriott)

When I was in your office I showed you some ledger sheets, some correspondence between myself and Kulp regarding the loan, the note that has been produced here and another note that Kulp gave me. I borrowed the money for that loan from the Manufacturers Trust Company.

(Letter from the Manufacturers Trust Company to Baumann acknowledging receipt of certain collateral was marked Resp. Ex. 13 for id.) I borrowed \$80,000 from the Manufacturers Trust Company and I turned it right over to Kulp. I pledged the securities mentioned in Resp.

Ex. 13 as collateral.

(Resp. Ex. 13 was received in evidence. A note for \$50,000 dated Nov. 1, 1937, payable to Baumann's order and signed by Jacob Kulp was marked Resp. Ex. 14 for id.)

Since I believe that in New York the statute of limitations on the note is about seven years, I asked for a renewal and received said note representing the balance

due me.

(A copy of a letter dated October 21, 1937, from Baumann to Kulp requesting a new note was marked Resp. Ex. 15 for id.) I received this note from Kulp as a result of said letter. Resp. Ex. 14 for id. was a renewal note.

(Resp. Ex. 14 and 15 were received in evidence.)

When I received this \$50,000 note dated November 1, 1937, I continued to hold the original note of Kulp & Co. I do not claim that the indebtedness is for \$100,000 but only \$50,000, although I never returned the original note. My secretary, Miss Botthof, placed a pencil notation on the back of the last note "no int. paid since 3/1/35."

(Ledger sheets of Baumann showing the account of Kulp and Kulp & Co. with Baumann were marked Resp.

Ex. 16 and 16A for 1d.4

There is no significance to the fact that one sheet is headed Kulp & Co. and the other Jacob Kulp. Ex. 16A is a continuation of Ex. 16.

In regard to the receivables, Miss Johnson told me there was going to be an auction and that it would be a good policy on my part for me to purchase them to protect my loan. She did not tell me that in her opinion they would probably be worth more than the cost to me.

349 Hearing Before Special Master Archie H. Cohen. November 13, 1946

JOSEPH BAUMANN

(Cross examination by Mr. Herriott)

My wife's claim against Kulp arose when she delivered to him some securities including shares of General Electric and of Electric Bond and Share.

My wife delivered to Kulp 200 shares of Electric Bond and Share and 400 shares of General Electric. I have seen a document indicating that said securities had been received by Mr. Kulp.

I think it was dated in May 1930.

Since yesterday's session I have refreshed my recollect-

ion through e discussion with Miss Johnson.

I now recall that I got some papers to sign in connection with Federal and National. They were prepared in Chicago and I returned them to Miss Johnson. There were also some papers sent to me in connection with reorganization of subsidiaries.

I just signed them and returned them. I wasn't interested in the reorganizations or affairs of Kulp & Co. or National or Federal or the subsidiaries because as I said, I had implicit confidence in Miss Johnson and my father-in-law's repeated statements that I would be paid in full.

I did not mean that I was not interested in repayment

of the money that I had loaned.

I concluded that I had some interest in some securities held in Chicago because of the following circumstances: Miss Johnson told me on the long distance telephone that about \$25,000 was needed to purchase a block of securities which was to be sold at auction and which she thought I should have as an additional protection to my loan. There

were bonds etc. which she believed could be liquidated for at least \$25,000 to pay me back the \$25,000 I was to loan her. There were also some 60 odd thousand shares of Fed-

eral and I think about \$285,000 worth of bonds.

There was also 10,600 or 10,800 shares of National. Miss Johnson said that if those were bought they would be held for my benefit until my loan was paid. I know these securities are in a vault in Chicago but I have not seen them. It is my opinion that I have some interest in them until my wife's loan and my loan are paid. I bought bonds from time to time for my wife, my daughters and myself and I put up all the money.

350 I bought the bonds from Kulp & Co. on my own initiative. I don't recall any that I purchased after Kulp & Co. went into bankruptcy. I have quite a block of these

securities today.

JOSEPH BAUMANN

(Examination by Mr. Roberson)

Resp. Ex. 14 is the renewal note executed by Jacob Kulp. There was no subsequent note executed by Kulp. That note was mailed to me in New York from Chicago about the date it bears.

I didn't get one in 1944. It may have slipped my mind. I don't know why this note wasn't signed by Jacob Kulp & Co. I asked for a renewal of the note, saw it was for \$50,000 and put it in my vault. I didn't inquire of Mr. Kulp why this note didn't bear the signature of Kulp & Co. I just wanted some evidence that the debt was still due me. I testified yesterday that I thought Kulp and Miss Johnson were still employed by Kulp & Co.

I said I still thought there was a Kulp & Co. I had implicit confidence in my father-in-law and therefore didn't question the omission of a signature by Kulp & Co. Although I purchased the receivables of Kulp & Co. in 1936, I didn't give any thought to the question of whether or

not it was still in existance.

Between 1935 and 1943 I was never in the office of Kulp or Miss Johnson. I was never in the office of Paul E. Darrow and did not know where it was. I have never addressed any communications to Mr. Darrow and I do not belive I ever received any communications from him.

The reorganizations I refreshed my recollection about concerned some bonds I believe that I bought and Miss Johnson took care of them. I had confidence in Miss Johnson because I have known her for a number of years and my wife grew up with her. I didn't know she was in a position where she knew the inside details of the trusts and subsidiaries.

I knew that my father-in-law had started these post of-

fice companies and sold bonds to me.

I knew that Miss Johnson was employed by him.

After refreshing my memory about National and Federal, I recall that I had signed some papers in connection with their reorganizations about four or five months

I can't recall what they were but Miss Johnson prepared them and I signed them and returned them to her. I am pretty sure they were claims filed in the estate of National and Federal. They were in connection with these receivables.

I signed these papers without discussing them with my brother-in-law, Mr. Ballanberg, who was a lawyer and is with our firm. He knows about my dealings with my father-in-law.

I believe these documents were claims filed on behalf of

myself, Kulp and Miss Johnson but I am not sure.

Athought I own bonds of subsidiaries which underwent reorganization, held 10,000 shares of National as collateral, came to Chicago at least twice a year and frequently talked to Kulp and Miss Johnson, I didn't know that Darrow was trustee of National and Federal because I don't believe we ever discussed it. In my conversations with Kulp and Miss Johnson from 1935-1943, I don't remember whether or not the name of Darrow was mentioned. is impossible but I don't recall whether or not the words "trustee of the National" or "trustee of the Federal" were mentioned.

I was willing to do anything that Kulp or Miss Johnson

asked me to do without looking into the details.

I never attempted to collect anything on the aforementioned accounts receiveable. I never did anything about them.

I can't recall whether I received copies of plans for the subsidiaries. I might have gotten them, but never paid any attention if I did.

I don't believe I ever sent in a vote on any plan. I don't believe I received any letters in connection with plans of subsidiaries. I don't believe I have any correspondence regarding the reorganization of the trusts or subsidiaries.

It may be possible, however, that I did receive them.

I have received interest on certain bonds of subsidiaries

since 1935.

I believe I sent coupons representing interest I was to receive. I sent them to Miss Johnson.

I received a check for the coupons I sent and I believe it was accompanied by a letter signed by Miss Johnson.

The name of Darrow was not on the letterhead.

John't remember who signed the checks. I didn't look at the signature but gave it to my girl to deposit. I might have looked at the check. The letterhead what accompained the check was Myrtle Johnson's personal letterhead. However, I can't say that is true in every instance.

I have never been an officer or director of any of the 27

building corporations.

JOSEPH BAUMANN

(Cross-examination by Mr. Herriott)

(A letter from Kulp to Baumann dated 10-26-37 regarding the renewal note for \$50,000 was marked Resp. Ex. 174 for id.)

(A carbon copy of a letter from Baumann to Kulp dated

10-28-37 was marked Resp. Ex. 18 for id.)

(A letter from Kulp to Baumann dated 11-1-37 with which the note of \$50,000 was enclosed was marked Resp. Ex. 19 for id.)

(A letter dated 12-15-45 from Ann Botthof to Miss Johnson regarding second renewal of the note was marked

Resp. Ex. 20.)

(A carbon copy of a letter dated 12-20-45 from Kulp to Baumann was marked Resp. Ex. 21.)

(A carbon copy of a letter dated 5-22-46 from Myrtle

Johnson was marked Resp. Ex. 22 for id.)

(Resp. Ex. 17 through 22 were received in evidence.)
Louis Goldman never represented me in connection with
National or Federal.

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Hearing before Special Master Archie H. Cohen November 26, 1946

(Mr. Roberson stated that he would rest subject however, to the reservation as to the material requested of Baumann in a letter which Herriott recently forwarded to Baumann. Mr. Mulfinger stated that he would rest subject to the same reservation and also subject to a realignment of his exhibits in proper order and numerical sequence. He added that of course the closing was subject to anything that may have honestly been overlooked in the matter. Mr. Courshon stated that he joined in both of the positions taken. The Master also stated that he understands then that the objectors rest with the agreement, however, that there may be additional testimony on account of documentary data that Baumann has been requested to forward.)

354 Hearing before Special Master Archie H. Cohen March 5, 1947

PAUL E. DARROW

(Examination by Mr. Herriott)

I previously testified to my gas company and bank experience. For two years I was one of 3 trustees of Rosenbaum Grain Corporation. I subsequently resigned to become sole trustee of its subsidiary, Chicago Elevator Properties.

I occupied that position for about 2 years and was assisted by Mr. Herriott as my counsel. The company operated a string of grain elevators. I graduated from Dartmouth in 1904. The gas company I mentioned was in a town of 5000.

It had suffered losses and was ready to close. I went to Colorado representing needed new money and I ran the company from 1907 to 1928 when it was sold. During that time the customers increased from 225 to over 2400, our mains lengthened from 5 to 25 miles and we built a new plant.

I was appointed temporary trustee of National and Federal on April 25, 1935 and actual trustee on May 25, 1935. I first spoke to Andresen former trustee acting under a trust agreement.

The organization consisted of Andresen, Myrtle Johnson, Kulp, Marquiss, Gertrude Johnson, about 3 stenog-

raphers and a messenger. I continued the organization

as it existed.

I continued Myrtle Johnson in my employ until the matter was wound up. I employed her largely on the advice of Andresen. Kulp had never received a salary for assisting Andresen, and that arrangement continued after my appointment until I felt we could pay him a reasonable salary. In my first meeting with Adams and Jacob Kulp at which Myrtle Johnson was present, Adams asked if Kulp wrote the insurancee, and Kulp said he had written most of it since the properties were built and most of it during Andresen's tenure.

In response to Adams' question, Miss Johnson or Kulp said that the commission amounted to about \$200 per

month.

After I became trustee I permitted Kulp to be paid com-

mission on insurance written for the trusts.

I personally, as an individual, received no part of commissions paid to Kulp from him or anyone else. Neither did I receive any part as trustee. As far as I know Kulp

retained the entire commission paid him.

for a bond house in Chicago for A. C. McClurg for about 6 months and for a chemical laboratory in Cuba as a chemist. I went to Colorado in 1907. On my return in 1928 I became assistant to the president of Amalgamated Trust & Savings Bank. From 1930 to 1935 I worked for David A. Noyes & Co., stock brokers, doing most of the statistical work.

Then I became trustee of Federal and National. When I first went to the office of the trust maintained by Andresen, Colonial was also operating in that office and the business of Jacob Kulp & Co. was being wound up. Andresen

remained in charge until May 31st.

I took over as of June 1st, prior to which Andresen turned over to me securities belonging to the trusts and possibly some belonging to the individual companies. While I was temporary trustee and Andresen remained, he

received his regular salary of \$1000 a month.

Adams personally was appointed as my counsel, but he assigned Williamson to take charge of my work. Within a week after I was appointed a meeting was held in Williamson's office attended by Williamson, Adams Andresen, Kulp, Miss Johnson and myself. I made definite arrange-

ments with Miss Johnson in regard to her working for me

at or as a result of that meeting.

She was to give me all the time and energy necessary to help run the trusts and she was to be allowed time to operate Colonial Securities Corporation. I had not heard of Colonial or Miss Johnson prior to my appointment as trustee. About June 1, 1935 I, as trustee of National and Federal, filed a number of petitions for reorganization of certain of the subsidiaries, at the instigation of my attorney, Mr. Adams.

Not all of the petitions proposed by Adams were filed, because Miss Johnson explained to me that some of these subsidiaries had not defaulted in any way. Except for her information the petitions suggested by Adams all would have been filed. Later when some of these subsidiaries defaulted or were close to a default petitions were filed for

their reorganization.

These subsequent petitions were filed about a year to three years thereafter. In June 1935, petitions were filed for reorganization of Station D, Dallas, Irving Park, Mc-Kinley, Park, Quincy Station, Roseland Building, St. Louis, South Side P. O., 22nd St. Station, Villa Garage, Armour Station, Berwyn P. O., Division and Lavergne, Ogden Park and I believe, Station F. At the time of my appointment Grand Rapids had been reorganized; the cases of Austin Station and Park View Manor were pending; and 6748 Cranden, 6929 N. Clark (Rogers Park) and Windsor

Shore had been foreclosed.

356 The reorganization of Chicago P. O. Service Station against which Adams proposed to file a petition at once, was not commenced until October 1936. A petition was never filed against Columbus because it was evident

Columbus would pay off the obligation shortly.

Miss Johnson drew the plan for North Halsted, negotiated with bondholders and completed its voluntary reorganization. A reorganization of LaGrange has not taken place, but eventually it will be reorganized. A petition was never filed in the case of the Los Angeles property. It had been owned directly by National and not by a corporation. When the bonds became due negotiation resulted in a plan under which a new corporation was formed. National obtained 25% of the stock and the bondholders received 50% of their old bonds in new bonds and 50% in stock.

Except for Roseland, the reorganizations of all the companies have been completed against which petitions were filed by me or before my appointment. While I was trustee the following were completed: Chicago P. O., Station D, Dallas, Ferry Station, Irving Park, McKinley Park, North Halsted, Quincy Station, St. Louis, South Side, 22nd St. Station, Villa Garage, Armour, Austin, Berwyn, Division and Lavergne, Station F, Los Angeles, Ogden Park and Park View Manor.

I included North Halsted which was reorganized without a petition having been filed. I first purchased securities of subsidiaries in June or July, 1935. This was for the sinking funds of two or three of the companies and was an

ordinary operation.

I did not buy any bonds for the trusts until about Sept. 1935. On three occasions I bought bonds in my own name or with money I supplied.

In Oct. 1935 we had \$5000 in 22nd St. and \$5000 of

Quincy Seconds offered to us.

I thought I would help Federal if I bought them. The total \$10,000 in bonds was offered for \$2025. I knew Quincy had a lease until 1941 and 22nd. St. until 1944 or 1945. I knew they would pay interest and that we would have to pay more for them later. The trust had no money but I thought it my duty to do everything I could to make the properties worth something eventually. I went to the First National Bank and borrowed \$2025 to buy them. I wanted it separate so the interest could be paid by the trust and the interest coupons received would go to the trust.

I made the loan individually and put up my own collateral consisting of \$3,000 N. Y. Railways Corp. 6% bonds. I then bought the \$5000 Quincy Seconds and \$5000 of 22nd

Street bonds.

The Quincy bonds are shown on Schedule 2-J attached to my final report and account. They are bond Nos. M-195, 196, 197, 198 and 199. That schedule shows that the bonds were "bought from P. E. D./Graham & Co."

P. R. D. represents my initials and Graham & Co. is the company from whom I bought the securities. The date of 10/29/35 to the right of Graham & Co. on the schedule indicates the date I bought the bonds from the Graham Company, The note I referred to is dated the same day.

(Note of Darrow to First National Bank for \$2025 was marked Respondent's Exhibit 1 for id. as of 3-5-47 and was

received in evidence).

Said schedule 2-J shows that Federal bought the particular bonds, the numbers of which I just stated, on Sept. 9, 1937. That is it paid the cost price and the money was applied on my note. As shown by said schedule 2-J, those bonds were sold to "S. F." meaning sinking fund of the subsidiary Quincy.

The cost to Federal of each of these \$1000 bonds was \$202.50 or a price of 201/4, which is the same amount I

paid.

I paid the note marked Exhibit 1 to the bank with a check of Federal payable to me and endorsed to the First National. \$3000 of its bonds were sold to Quincy for its sinking fund on Sept. 9, 1937 for \$350 each. The price was fixed by Quincy's Board of Directors.

The other two were also sold to Quincy at the same price on September 1, 1938 by Federal. Federal paid the interest

on my loan to the bank.

On Nov. 12, 1935 we bought \$76,000 par value of various issues for \$6837.50, that made a total of those two notes of \$8862.50 In that block there were \$11,500 of Quincy Seconds for which we paid 10. Of the 16,000 of Quincy seconds which I have mentioned as having been purchased, we sold \$11,500. On those \$11,500 we collected \$1868.75. interest. On the \$5500 not sold which I turned over to the successor trustee, the interest was collected in the amount of \$1681.50, making a total of \$3550.25 in interest collected on the said \$16,500 of Quincy bonds.

(Statement by Master: In order to save time I would point out that the schedule shows that on the first \$3000 of the \$5000 in bonds purchased from Graham & Co. and sold on Sept. 9, 1937. \$140 in interest was collected on each bond. On the last two which were sold on Sept. 1, 1938 the interest collected was \$188.75 each. That makes a total of

My records show more than that but I am willing to take that figure.

I borrowed \$2025, the exact amount needed to buy 358 the above mentioned Quincy and 22nd Street bonds. \$1012.50 was the cost of the \$5000 Quincy and the same amount was the cost of the \$5000 22nd Street. Federal paid the First National Bank 4% interest.

This note for \$2025 was paid on Sept. 9, 1937. The interest on that amount accrued from Oct. 29, 1935 to Sept. 9, 1937 at 4%. I mentioned a similar loan I made for a similar transaction. The two loans were not separated and sometimes interest was paid on one note and sometimes on both. A check of \$25 for interest was given to me and turned over to the First National Bank.

On said note of \$2025 Fereral paid interest of about \$153. I individually never received any of the interest paid on these \$5000 of Quincy bonds above mentioned. All of the coupons as they matured were deposited to the credit of Federal. I supplied the money to purchase the bonds from Graham & Co. from the proceeds of a loan from the First National, then Federal paid the interest on the note

as it accrued.

Federal collected all of the interest on the bonds from the time they were purchased from Graham & Co. Although a check mark appears on the note in the blank left for rate of interest, the rate of 4% is indicated under the signature of the officer who authorized the loan. Another memo showing "Bills Discounted for Paul E. Darrow" also states that 4% was the rate of interest. On September 9, 1937 Federal sold only \$3000 of the \$5000 of Quincy seconds as shown in schedule 2-J.

Federal paid the note in installments. The note shows payment on May 6, 1936 of \$1350.50 and on Sept. 9, 1937 it

shows a payment of \$672.50 or a total of \$2025.

On Sept. 9, 1937 Federal gave me a check in sufficient amount to pay the balance due the First National and on the same date it sold to Quincy \$3000 of said Quincy seconds. The other \$2000 remained in my possession until Oct. 6, 1937. On that date Federal got \$3000 Quincy seconds. On July 14, 1938 Quincy got \$4500. Federal got \$4000 Quincy seconds on Oct. 11, 1938. On Sept. 9, 1937 I was still indebted to the First National for other money borrowed to acquire bonds.

The other indebtedness was originally \$6837.50 borrowed

on Nov. 12, 1935.

(Note of Darrow to First National dated Nov. 12, 1935 for \$6837.50 was marked Respondent's exhibit 2 for id. as of 3-5-47).

359 To secure the loan represented by Exhibit 2, I put up collateral of \$10,000 International Railways of Central America 6½'s and \$2000 in bonds issued by an Italian

Electric Company whose name I will try to give you. These securities and the securities put up as collateral for the other note I mentioned belonged to me personally. I put up no securities of Federal or National as collateral for this loan.

Nor did I deposit any securities of subsidiaries. That is

also true in regard to the \$2025 loan.

(Respondent's exhibit 2 of 3-5-47 was received in evi-

dence).

With the proceeds of the loan indicated by Exhibit 2 I bought \$76,000 of securities of various subs of Federal and National.

The list includes 11 issues of securities of National and Federal.

360 Hearing before Special Master Archie H. Cohen March 18, 1947

PAUL E. DARROW

(Examination by Mr. Herriott)

(Mr. Herriott stipulated for the record that the objectors would have a standing objection to his line of questioning pertaining to loans made by Darrow for the purpose of purchasing securities at a time when the Trusts or subsidiaries were financially unable to make the purchases.)

Beside the loan indicated by Darrow's Exhibit 1 of March 5, 1947, I made other loans from the First National Bank during 1935. One of these was evidenced by Darrow's Exhibit 2 of March 5, 1947. Again on March 10, 1939, I borrowed other money from the First National Bank.

As shown on Darrow's Exhibit 2 of March 5, 1947, I deposited as collateral for the loan evidenced by said exhibit \$10,000 of International Railway of Central America bonds and \$2,000 of United Electric Service bonds and other securities, all of which belonged to me individually. This is also true of the \$3,000 of New York Railway bonds shown on Darrow's Exhibit 1 of March 5, 1947, With this money I bought \$5,000 22nd Street and \$5,000 Quincy securities at 201/4 on October 29, 1935.

On November 12, 1935, for \$6,837.50 I bought from Custin & Company \$1500 Irving Park Seconds at 15, \$1000 La Grange Firsts at 10, \$8500 Los Angeles Firsts at 8, \$5000 North Halsted at 12½, \$2000 Ogden at 12, \$17,000 Park

View old par bonds at 12, \$11,500 Quincy Seconds at 10, \$3000 Roseland at 8½, \$600 South Side at 15, \$6000 22nd Street at 15, and \$10,500 Villa Garage at 6½. That is a

total of \$6,837.50.

I never considered that I was buying these bonds as an individual. Otherwise, I would have collected the interest thereon. The difference between these purchases and others for the Trusts was that the individual company didn't have enough money so I advanced it. Federal and National paid the interest on the notes designated as Darrow's Exhibits 1 and 2 of March 5. The interest was paid directly to the bank.

361 On May 5, 1936, \$2000 of Ogden, \$1000 of La Grange and \$5000 of 22nd Street were taken out for \$1352.50. By that I mean they were taken out of the collateral which was bought as a result of the proceeds of this loan. I retained possession of the bonds until they were paid for by the Trusts or the subsidiaries. The checks for principal and interest were made to me personally and I endorsed them to the First National Bank.

On May 27, 1937, \$3000 Roseland and \$10,500 Villa Garage were taken for \$937.50. At that time a check for that amount was drawn to me and endorsed to the First National Bank in payment of principal and interest on my

notes.

Eventually all the securities acquired with the proceeds of these two loans were paid for by the Federal group or the National group, and my notes were thus paid in full and returned to me. I received no more for any of these securities than I had paid for them. As far as I know,

these transactions are set up in my final account.

On September 9, 1937, \$5000 Quincy Seconds were taken out for \$1012.50, which is the same as my cost. On October 6, 1937, \$1500 Irving Park Seconds, \$5000 North Halsted, \$3000 Quincy Seconds and \$6000 Park View were taken out for \$1675. That amount plus \$45 paid on April 30, 1938 makes the exact figure which I paid for these latter securities. On July 15, 1938, \$4500 Quincy Seconds, \$600 South Side, \$6000 22nd Street, \$8500 Los Angeles, and \$12,000 Irving Park were taken out for \$3440, which is the exact price I paid for them.

On October 11, 1938, \$4000 Quincy Seconds were taken out for \$400 and that makes a total payment of \$8862.50,

which is the amount of the two notes under consideration. The Trusts paid \$717.22 as interest on the two notes designated as Darrow's Exhibits 1 and 2 of March 5, 1947.

From the time these securities were first acquired until they were taken out by the trusts, a total of \$10,062.14 in interest was paid on these securities, all of which the Trusts or the subsidiaries received. These securities had a higher value at the time they were taken out than they had when they were originally purchased.

Schedule 2-J, which is part of my final report in Federal, treats of the \$5000 Quincy Seconds which I purchased for \$202.50 on October 29, 1935, those being part of the securities purchased with the proceeds of my individual

loans.

That schedule shows that on September 9, 1937 the Trust paid me \$202.50 for those bonds. According to the schedule, I paid \$202.50 each for the bonds. The notation in the center of the page to the effect that the items were sold on September 9, 1937, means that on that date

they were turned over to Quincy by Federal.

According to the schedule, the Trust received \$250 each for three of the bonds from Quincy. The schedule shows that on September 1, 1938 the Trust sold the remaining two \$1000 bonds to Quincy for \$350 apiece. Schedule 2-J also shows that I bought a total of \$11,500 in bonds at 10 from Custin & Company on November 12, 1935, which is the same date I borrowed \$6837.50 from the First National Bank. Those bonds were paid for by the Trust at various times. On October 30, 1937 it took out \$3000 of bonds at 10, which is the price I paid Custin.

According to Schedule 2-J, the Trust received \$175 apiece for \$3000 of Quincy bonds which formed a part of that group from Quincy. On July 15, 1938, the Trust took out \$4500 of bonds at 10, which is the price I paid Custin.

On October 11, 1938, the Trust took out \$4000 of bonds at 10 which is what I paid for them. Two of them were

later sold on May 17, 1939 for \$300 apiece.

I want to correct my prior statement on Irving Park. They were first mortgage bonds and not seconds. I paid \$195 for \$1500 of those bonds. They were taken out on November 12, 1935 at the same price. As far as I know, those bonds are still held by the trustee and are selling at par.

According to Schedule 2-I, \$5000 North Halsted bonds were taken out on October 6, 1937 at a cost of \$125 per \$1000, which is what I paid for them. On May 22, 1937, the Trust took out \$3000 of Roseland Firsts for \$85.00 per \$1000, which is the price I paid. There has been no interest

on those bonds.

On July 15, 1938, the Trust took out \$600 of South Side Service Station bonds for \$90.00, which is what I paid for them, all of which is shown on Schedule 2-M. According to Schedule 2-N, on May 5, 1936 the Trust took out \$5,000 of 22nd Street bonds at \$202.50 each. The Trust apparently still holds the bonds which are selling at par. It paid me exactly my cost. Schedule 2-O shows that on May 22, 1937 the Trust took out \$10,500 Villa Building bonds at \$65.00

per \$1000, which is what I paid for them.

363 I have covered all the securities acquired by Federal with the proceeds of my loans evidenced by Darrow's Exhibits 1 and 2 of March 5. As to National, Schedule 2-J shows that on May 5, 1936 it took out \$1000 of La Grange bonds for \$100, which was my cost.

The Los Angeles bonds were acquired by the Chairman Account and I have no record here on them, but the Chairman Account paid exactly what I paid. They bought \$8500

old par value bonds for \$680.

Schedule 2-L of National shows that \$2000 Ogden Park bonds were taken out May 5, 1936 at \$120 per \$1000, which was the price I paid.

On October 6, 1937, \$5000 of old par Park View Manor

bonds were taken out.

National paid for these old par bonds after the reorganization, so actually received new bonds and stock in lieu of the original old par value bonds. The Trust paid \$360, which was my cost.

Interest has been paid on the new bonds.

Interest of \$41.50 was paid on each of the \$300 bonds of Park View (reduced in reorganization from \$500) up to June 1, 1943 and probably \$30.00 since. In interest the Trust has collected more than it paid for the bonds of this particular issue. I have now discussed all the securities bought from the proceeds of the two loans evidenced by Darrow's Exhibits 1 and 2. On March 10, 1939 I made another loan at the First National.

(Photostatic copy of note dated March 10, 1939 in the amount of \$2600, executed by Darrow to the First National

Bank, was marked Darrow's Exhibit 1 of March 18, 1947. The exhibit was received in evidence subject to the stand-

ing objection as to materiality.)

I loaned the proceeds of said note of \$2600 to Columbus on the date the note bears. The note was secured by my personal collateral. Columbus was short of money and had a chance to buy \$5000 of its own first mortgage bonds of last maturity.

I thought it a good investment for Columbus to retire its own obligation for 50 cents on the dollar. We purchased these bonds from Colonial for \$2500, and the extra \$100 was apparently used to give Columbus a bank account. I/ took no note from Columbus, but its ledger showed the loan from me. My note was paid according to the markings

upon it on May 2, 1940.

The securities that were acquired by Columbus from this loan were turned over to Mosser. The bonds were due January 1, 1947, and the corporation has indicated by letter that it expects shortly to pay par for the bonds. These are first mortgage bonds of a total issue of \$147,000 due January 1, 1947. I bought about \$25,000 to \$30,000 of these bonds at considerable discount for the corporation.

I think that after Columbus bought the aforesaid \$5000 of its bonds with the proceeds of my loan, it bought more

of the same issue.

I did not personally receive from Columbus any more than the \$2600 which I had loaned to it. I have now given a complete story of the purchase of securities with the proceeds of the two loans evidenced by Darrow's Exhibits 1 and 2 of March 5.

Interest on the bonds of Columbus is paid up to January 1, 1947 but will accrue to the time of the payment. If Columbus had not acquired the \$5000 of bonds procured with the proceeds of my loan, it would have paid on them interest in the amount of \$2275 although the cost to it was \$2500.

Marquiss kept the books for me as trustee. I personally am not a bookkeeper. I kept records personally involving transactions of National, Federal and their subsidiaries

but not of the Chairman Account.

I kept a sheet reflecting the income and the different classes of expenditures for each month. It also showed the cash on hand, money in sinking funds, bonds outstanding; bonds purchased, and a summary of the plans.

(Cards or sheets showing the operating account of Armour Station, including income, expenses, sinking fund, bonds owned by the corporation, bonds outstanding, bond purchases, the plan of reorganization, and the names of people who have offered to sell their bonds at certain prices, were marked Darrow's Exhibits 2 and 2-A to 2-L, inclusive, of March 18, 1947.)

These sheets extend from 1934 to and including 1944 and are in my handwriting. I devised them for my own use as trustee. I obtained the information on them from the books of Federal, National and the subsidiaries. The ones just discussed are from the Article Station books.

I obtained the information regarding prices at which

I obtained the information regarding prices at which people were willing to sell from letters or personal calls made by such persons. I kept these records because I couldn't understand the C. P. A. system employed by the

bookkeeper. 365 (Dafrow's Exhibits 2 and 2-A to 2-L of 3-18-47 were

received in evidence.)

I have similar records for each of the 27 subsidiaries. Darrow's Exhibit 2 of this date covers the year 1944 to the

end of July.

The first column shows the months, and the next column reflects the "Rental Income". The next column headed "Total Expenses" represents the operating expenses for each month. The next column headed "Taxes" represents money paid out for all kinds of taxes. The next column is headed "H. L. W.", representing the amounts paid for heat, light and water.

Since we didn't heat this building, some months contain a blank in this column. I used the same form for all the subsidiaries and filled in the appropriate columns for each. The next column is headed "R. M." meaning repairs and maintenance.

The next column headed "Mgm." refers to management expense. The next column headed "Misc." is for miscellaneous. The next column is headed "Ins." which refers to payments made for insurance premiums. The sheet we are discussing covers 7 months of 1944 and reflects the operations during the last period of my term as trustee.

The next column is headed "Inc. Tax." referring to income tax payments. The next column is interest paid to bondholders. After that the sheets reflect bonds bought under two columns, one of which refers to first mortgage

bonds and the other to second mortgage bonds. The next column is headed "Cash E. O. M." which means cash on

hand at the end of the month.

Next are three columns headed "Sink. Fund" referring to the sinking fund for first and second mortgage bonds. These columns show the amounts of unpaid but past due interest coupons. The second and third columns after the cash column show how much was on hand at the end of each month in the sinking fund, not how much was put in currently. The figure of \$125 in red for January of 1944 under "Sinking Fund First Mortgage" means that we overdrew the sinking fund to the extent of \$125 for the purchase of bonds.

The next to the last column on the right indicates the amount of unpaid coupons outstanding. The final column to the right reflects the bonds outstanding at the end of the

month.

In the bottom left-hand corner, the sheets indicate the amount of bonds outstanding on January 1 of each year, and the ones in the far right column show the amount

outstanding each month.

after August 1943 at which time Darrow's trusteeship ended. The Master stated that he thought any records pertaining to the time after Darrow was trustee were not pertinent, and Mr. Herriott agreed. When Mr. Herriott started to cover the same matter for the sheet pertaining to Armour covering the year 1943, the Master stated that the prior testimony concerning Exhibit 2-L might stand as indicative of what appears on Exhibits 2-A to 2-K and that it would not be necessary to repeat the testimony given in regard to Exhibit 2-L.)

Exhibits 2-A to 2-K are identical in form with the heretofore considered Exhibit 2-L. (It was stipulated that the questions put to the witness with respect to the meaning of the headings on each column on Exhibit 2 which covers the year 1944 may be applied to Exhibits 2-A to 2-K,

inclusive.)

Where I used the letter "M" I meant \$1000, and where

I employed the letter "C" I meant 100's.

I kept similiar records for all the subsidiaries of both Federal and National during my entire tenure of office as trustee. I kept these records for all of the subsidiaries in my desk at the office. I referred to them several times a day. The only records I kept personally of Federal and National were copies of the income tax return for each year. I have that also for all of the subsidiaries.

(A copy of income tax statements for Federal for the years 1935 to 1943, inclusive, was marked Darrow's Exhibit 3 for id. of 3-18-47, and a copy of income tax statements for National for the same period was marked Dar-

row's Exhibit 4 for id. of 3-18-47.)

These documents are in my own handwriting, and the information was obtained from the income tax returns filed each year.

(Darrow's Exhibits 3 and 4 of 3-18-47 were received in

evidence.)

(A copy of income tax statements for Armour Station covering the period from 1935 to 1943 was marked Darrow's Exhibit 5 for id. of 3-18-47).

367 This exhibit is in my handwriting.

(Darrow's Exhibit 5 of 3-18-47 was received in evidence.)

Exhibits 2-A to 2-K were prepared monthly.

I have income tax sheets that I kept for each of the other 26 subsidiaries similiar to Darrow's Exhibit 5.

(In answer to a question by the Master, the witness

responded:)

My employees could have had access to these records or could have examined them at any time, but I don't know that they did. It was information that was of value to everybody in the organization, I think. I am satisfied that sometimes these records were examined rather than going through the books because they were easier to get

the information from.

368 Hearing before Special Master Archie H. Cohen March 28, 1947

PAUL E. DARROW

* (Examination by Mr. Herriott)

Besides the records I already testified to regarding the

subsidiaries, I kept other data.

In regard to the single occupancy buildings, I had sufficient information on the sheets I produced at the last hearing. However, in regard to many of these buildings I

wanted comparative statements to show how they were running each year in comparison with prior years. I prepared comparative statements of income and expenses starting about 1936 so I could have a close check upon what was being done.

(A document labelled "Comparative Statement of Income and Expense" relating to Austin Station was marked

Darrow's Exhibit #1 id. of 3-28-47).

I have similar statements for the years 1940 through 1943 on Austin, Crandon, Ogden, Park View, Rogers Park, and Windsor.

These records were kept on mimeographed sheets. In the right hand column under the heading, "Months", these sheets show the total for the particular calendar month and the cumulative total for that month and all preceding months of the year. I obtained the information contained on these sheets from the Journals.

All the figures are in my own handwriting.

(Darrow's Exhibit #1 of 3-28-47 was received in evi-

dence).

This exhibit shows the comparative income and expense for each month and for the corresponding month of the preceding year.

369 In that way I could tell whether expenses were

higher or lower.

(Reports similiar to Exhibit #1 made for the Austin Station for the months of February, 1941, and November, 1941, were marked respectively, Darrow's Exhibits #2 and #3 id. of 3-28-47).

The figures are in my own handwriting and I obtained

them from the books.

(Darrow's Exhibits #2 and #3 of 3-28-47 were received in evidence).

Darrow's Exhibit 2 of 3-28-47 is a report which I kept myself for the month of February on Austin. The figure at the top is a rental income of Austin for February, 1941.

The figures in the two left hand columns under "Year 1941" and "Year 1940" represent the total rentals received for that one month in those respective years. The two right hand columns which are headed "2 Months" and underneath that "Year 1941" and "Year 1940" represent the rental income for the two months of January and February for the years 1940 and 1941 respectively. The figures following below under the heading "Year 1940" and "Year

1941" represent the various items of expense for the

months of January and February.

In Darrow's Exhibit #1, which concerns itself with the month of January, 1941, I have only the record of one month so nothing appears in the right-hand columns because the figures would be the same. Darrow's Exhibit #3 is a similar record kept for Austin for November, 1941. The two figures at the top of the two columns at the left represent the rental received in November, 1941, and in November, 1940. The other figures represent items of expense in the month of November each year. The figures in the right hand columns from top to bottom represent the accumulated total for 11 months of 1940 and 11 months of

1941, both income and expense.

370 I kept similar records on a similar form for each of the months from 1940 through July, 1943. I started making these records probably around 1936 but the earlier ones have been destroyed because they were too bulky to keep. I kept these detailed records in the cases of buildings which had multiple occupancy.

I refer to these records frequently and thus was able to keep advised monthly as to expenses of these various subsidiaries as well as their income. I have two different forms here and 310 sheets. I assume that about half of the

sheets are on one form and half on another.

The other form I spoke of were forms that I got up so I could mail them each month to our board of directors or trust committees to show them what the building was doing. This form showed the expense, income, cash on hand, money in the sinking funds, unpaid coupons, interest parments and information of that type.

I had to supply this different form for the annual re-

port.

(Original monthly statements which Darrow prepared and which were typed and mailed to the boards of directors or trust committees of half a dozen of the buildings were marked Darrow's Exhibits #4 and #5 id, of 3-28-47).

Exhibit #5 covers the month of March, 1941, and March, 1940. Exhibit #6 covers the month of April, 1943, and April, 1942, and the cumulative total of three months in each year.

Exhibit #4 covers the month of April, 1941 and 1940, and the cumulative total of 3 months in each of those years.

(Darrow's Exhibits 4, 5 and 6 of 3-28-47 were received in evidence).

I designed the forms on which these figures appear and

had them mimeographed.

All the figures are in my own handwriting. After they were typed they were sent to the various boards of directors or trust committees or both. I kept similiar records for other buildings as I had for the Dallas Building which is the one covered by Exhibits 4, 5 and 6. These others are

Postal Facilities, Ferry Stations, Park View and 371 Quincy. I kept these records for each month from

about 1936 until July 31, 1943.

Reports similiar to Exhibits 4, 5 and 6 for the other months and years on Dallas and the other subsidiaries all are in the same form and are now in use by the successor trustee. In relation to Exhibits 4, 5 and 6, February 1 is used as a starting point because it was the beginning of the fiscal year.

I have approximately 150 similar sheets for the other buildings. They go back to January 1, 1940. The prior

reports have been thrown away.

I refer to these reports at frequent intervals because I had all the information on those sheets introduced previously as Darrow's Exhibits 2 and 2-A to 2-L. I personally

took the figures from the books.

I heard Mar uss testify that I had destroyed some records. I did destroy paid bills but no other records or checks. I threw away some of the records similiar to Darrow's Exhibit 1 through 6 of this date prior to January 1, 1940.

I did this because our vault space became crowded. We had books for holding bills and kept therein bills for anything we would buy, ordinary supplies for a building or anything in the nature of a bill or charge to us, and the bills for the 27 subsidiaries, the trusts and the chairman account were kept in separate books. I never destroyed any leases or contracts.

I believe the routine bills I destroyed covered items prior to January 1, 1937 which was the cut-off date. I con-

sidered the bills destroyed of no consequence.

All bills were paid by check. Some of the bills went back as far as 1920 and included those of Kulp & Co. I filed a petition in the Kulp Bankruptcy, seeking the right to offset claims of various subsidiaries against claims of Kulp & Co.

The prayer of the petition was denied. As trustee I purchased various securities on behalf of subsidiaries and the trusts from various persons including Colonial and Myrtle Johnson.

At the time I did not know what Colonial or Myrtle Johnson had paid for the securities and I made no inquiry.

I arrived at the price I paid by examining Exhibits 372 2 and 2-A to 2-L of 3-18-47 and similar sheets which

show bonds purchased, dates and prices and if Miss Johnson or anybody else offered me a bond I would ascertain the last price paid and unless some change in the financial condition occurred, I would pay the same price. As I previously stated, these sheets contained names of bondholders who had offered bonds to me and the prices at which they had offered them. If the price ever got to that figure and if the people were still willing to sell, I would buy the bonds.

In same instances the prices at which subsidiaries would buy bonds were fixed by the board of directors or trust committees and I never exceeded the authorized price. In 1938 I bought from Myrtle Johnson securities that were

sold at a master's sale in the Seligman case.

Prior to the time I purchased those securities I did not know that she herself through an auctioneer purchased the same securities at a master's sale. At that time she offered the securities to me as she had many times in the past and I referred to my sheets to find out what prices we had been paying if I didn't know offhand and I made a deal on those that I had money enough to buy. I think I paid her about \$12,000 for the securities.

It appears from the record that Miss Johnson through Tauber & Co. bought at that sale the securities which I later acquired and other securities and she paid about \$25,000 for the entire group. At the time I made the purchases from her I did not have \$25,000 available in the trusts or subsidiaries. I knew of the Seligman case.

My attorney said he would ask the court for permission to bid and later advised me that I could not bid. While I was trustee of Federat and National I never made any profit on the purchase or sale of any securities of the trusts or their subsidiaries.

The securities which Louis Goldman previously stated were in a certain safety deposit box were securities of National and Federal purchased at the master's sale in the Seligman case. I never had any claim as trustee or individually in any of the securities in Goldman's safety deposit box.

My conclusion that I had no interest is not predicated

upon legal advice.

in a vault in a certain bank before I heard Goldman testify. I paid no attention to the transaction other than to the extent that I purchased securities from Miss Johnson. At the time I was appointed trustee there was an income tax claim of approximately \$150,000 against Federal. The prior trustee had employed accountants to oppose the claim which was for 1931-32 and they had never gotten anywhere.

The claimed depreciation but I felt a claim for obsolescence should have been made. We first ascertained that obsolescence would accrue in 1931 which was prior to my time, when the Government refused to pay the rent that was considered reasonable on Station D which was built especially for the Government for a post office. This gave us the first information that our especially built post office buildings were of no more value or possibly of not as much value as ordinary store buildings.

Thus I claimed there should be obsolescence figured in for income tax purposes. I talked it over with Mr. Kulp who agreed with me and began to study the decisions of the income tax department. I learned that the Government did recognize obsolescence on the basis I wanted, parti-

cularly in prohibition cases.

Mr. Marquiss and I handled the matter entirely. The income tax examiners said we were foolish but we worked up our case and filed amended returns showing obsolescences. Finally a Government man whom we took through the building said he thought we had something of an argument and he allowed us obsolescence for the balance of the post office lease in and after 1937.

However, I wanted obsolescence from 1931 when we first got notice that a post office building was of no particular value to the Government. We went to Washington and were allowed the full obsolescence which I claimed from

1931 to the expiration of the lease.

374 We had deposited about \$150,000 in cash and we got back after that decision approximately \$130,000. They allowed us, in addition to the claim on obsolescence, a

claim for bad debts which I had made and which had pre-

viously not been raised.

The recovery of the \$130,000 in income taxes was not reflected in my final account but is shown in the books.

PAUL E. DARROW

(Cross Examination by Mr. Roberson)

I still have a connection with Crandon, Park View, Rogers Park and Windsor which are four of the six subsidiaries covered by my sheets similiar to Darrow's Exs. 1 to 6 of 3-28-47. I have kept these records of income and expense up to date for these four corporations since my

resignation as trustee.

I am presently associated with Crandon, Park View, Rogers Park and Windsor as president, treasurer and manager of each and I kept these records that were introduced as Exs. 1-5 at the last hearing and as Exs. 1-6 of this date, With the object in mind of doing whatever would be of benefit to the security holders and of saving them money I kept those records.

I presume these and similar records are trustee's records and I regard them as my property only to the extent no one was interested in them. I am willing to turn all these records over to Mosser on any property he is hand-

ling.

Mr. Mosser never requested these records of me but I think I tendered them to him, and he said he didn't care

anything about them.

Since my resignation as trustee I have had occasion to consult a few of these records in relation to the subsidiaries under my charge. I think on several occasions after my resignation Marquiss, or somebody from his office, asked me for information which gave me occasion to refer to these records. After I resigned as trustee these records were available for use of anybody else in my office just the same as before I resigned.

Kulp and Miss Johnson had access to these records after I resigned but I don't know that I ever referred to them

except on the buildings that are directly under my 375 supervision. Since I resigned, so far as I know, Kulp or Miss Johnson did not purchase any securities of

these four corporations personally.

Miss Johnson has bought some for the companies but not personally.

I don't know whether Kulp or Miss Johnson or Colonial or anybody associated with them has purchased any bonds of any of the subsidiaries since my resignation. Miss Johnson and Mr. Kulp are officing with me and to the extent that they are officers of Colonial, Colonial is officing with me if it has not been allowed to lapse. My office is at Room 911, 100 West-Monroe Street.

Kulp and Johnson have had access to the records I made as trustee and also a bookkeeper and stenographer. There are a total of 374 sheets similar to Darrow's Exs.

1-5 of 3/18/47.

One sheet in each of the 27 sets contains records of potential sellers, their holdings of bonds and the prices at which they are willing sell. If there wasn't one such sheet for each of the 27 subsidiaries, certainly there were 20 on more of these sheets regarding potential sellers.

The sheets introduced today I am keeping on Crandon, Park View, Rogers Park and Windsor; the small sheets introduced previously as Exs. 2 to 2L I am keeping up on those four and I kept them up on Los Angeles until it was sold in October. I am keeping current only on those five. I think the cutoff date prior to which I destroyed certain bills for supplies and things of that kind and this was done in the summer of either 1939 or 1940.

I had filed a current account as trustees covering the period to which these bills referred in National and not in Federal. The petition which I filed in the Kulp & Co. bankruptcy case to assert a setoff against Kulp & Co. was withdrawn and later an amended petition filed but the latter was denied according to Burke Williamson, my lawyer. I think that at the time I acquired from Miss Johnson securities purchased in the Seligman case I knew where she had acquired them. I do not believe I had ever purchased from Miss Johnson at any other time as large a block of securities. I am satisfied that at many other times I paid Miss Johnson in advance the purchase price of securities prior to her purchase of the securities.

It would have been done any time she asked me. I 376 do not think over a week ever elapsed after I paid

her before I received the securities. However, on one occasion in the case of Columbus it took three to six months before I got them but in the meantime she gave the other Columbus bonds of twice the value.

I do not think there was any discussion between Miss Johnson and me regarding the reason for paying her in

advance but I don't remember.

I did not at any time inquire from her from whom shehad acquired the securities she was selling to me of the date that she had purchased them. It did not occur to me that she or Colonial might have been selling the securities at a greater price than they had paid for them. I never had a conversation with Miss Johnson or Kulp to the effect that the securities were being sold to me at more

than the price paid for them.

I do not believe I ever knew that people called at the office trying to sell bonds to Kulp, Miss Johnson or Colonial. Many times they came into the office to sell securities and I thought I was buying most of them. I didn't think I was buying all of them but I don't know of any specific instance and I don't think anybody ever told me that a certain party was just in to try to sell a bond. I would guess that bondholders came into the office two or three times a day. I believe that for the first three or four years I never saw them except a few times when Miss Johnson would be out. People came in to see Miss Johnson and they didn't come in to see anyone else. They still come to see her and very seldom to see anybody else. They know her, have done business with her for years and know what she tells them is all right.

As time went on they probably came in to see me oftener. I knew that Colonial was in the business of handling securities of all kinds, including those of the trusts and their subsidiaries. I had no reason to believe when I was buying bonds from Colonial, Johnson or Kulp that the securities had been held by them from a time prior to

that of my becoming trustee.

I didn't know whether they acquired the securities before or after I became trustee. I didn't know I was buying
from them when I bought from Colonial. I had no idea
from whom I was buying. When I buy securities on the
New York Exchange or from an unlisted security dealer,
I never ask whom they are coming from. When I bought
bonds from Miss Johnson and Colonial I didn't know
whether they were acting as agents for some unknown
principal.

377 I was buying from Colonial and I treated it the same as if it were a house located in New York or

some other place in Chicago. I thought I had the same connection with it, entirely separate and distinct, and I knew that Colonial was operated, owned and controlled by Miss Johnson and Mr. Kulp.

I would say there were seven or eight subsidiaries for which trust committees or the board would fix a maximum price at which the subsidiary would buy its bonds for

retirement. I had discretion to pay less.

When Miss Johnson or Colonial would offer me a bond I think she or Kulp would know that maximum price. I don't think we would have a discussion as to whether I could obtain any of these bonds for less than that maximum price because I don't remember paying the maximum price as a rule. Once in awhile we would clean up the market, no bonds would be offered and I would get authority to raise the price but Miss Johnson never got more than other people who had been selling. Very seldom did we pay the maximum price. Those little sheets which were introduced a few days ago show the prices that were paid.

I don't remember paying any more than the last price to Miss Johnson in any instance. Aside from my sheets Miss Johnson knew offhand the price at which bondholders were offering their holdings. I think Miss Johnson also knew the information with respect to offers at which bondholders were willing to sell, notations of which were made on my sheets in cases where there was no fixing of a price

by a committee or a board. She could have, anyway.

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Hearing Before Special Master Archie H. Cohen April 10, 1947

PAUL E. DARROW

(Cross Examination by Mr. Mayer)

Probably between a week and a month after my first appointment as temporary trustee, I had my first meeting with Williamson or Adams or both, at which Miss Johnson or Mr. Kulp was present. I discussed with Adams the question of permitting Kulp to continue writing the insurance only to the extent that Adams asked if Kulp was writing the insurance and how much his commission amounted to, and Miss Johnson and Kulp both said they would be glad to continue working for me as they had for Andresen providing they could take care of their own

business of insurance and buying and selling securities as

they had with Andresen.

They would give me all the time I needed but they could not afford to work for me as their only source of income. I would guess that I met Miss Johnson and Kulp on April 25 or 26, or very shortly after my appointment as temporary trustee and before the first meeting with the attorneys, Miss Johnson and Kulp. I had not known them previously.

I don't know whether thereafter I ever discussed the question of retaining Miss Johnson or Kulp in my employ with my attorneys but the attorneys knew these parties were working for me. I was advised by my attorneys to dispense with the services of Miss Johnson and Kulp.

When I asked Adams why I should dispense with their services he said if they remained they would gradually take these companies away from me and neither of us would have any income from them. I believe Adams gave me this advice within six months or a year after my

appointment.

It was never called to my attention by my attorneys that since Miss Johnson directly and for Colonial was dealing in bonds of subsidiaries, I should dispense with her services. Nor was I ever advised by anyone else to dispense with the services of Miss Johnson or Kulp, and I retained them until my resignation. Kulp continued to write substantially all of the insurance on the properties of the subsidiaries (as a broker).

The loans which I had previously testified I had made from the First National Bank for the purchase of bonds were not repaid by me out of my own funds either as to

principal or interest. I think it is correct that im-379 mediately after the loans were made, the trusts were immediately charged on their books with the amounts

that I borrowed as accounts payable to me.

I turned the bonds over to the trusts as the money was paid back. I suppose I was holding the bonds in the nature of security until the amounts were paid that I owed to the bank on the loans. A number of the bonds increased in value subsequently but in one or two instances they decreased in value.

I always thought someone might object to the purchase of bonds and I always was in the position to take out the whole block and replace the money that was advanced so the trusts would not suffer any loss. I haven't checked up, but I presume that the amount advanced was carried as an obligation to the trusts on their books.

However, as I think of it, I don't believe the trusts showed on their books any obligation to me but only the

payment to me for certain bonds.

At any rate I considered that I would get my money

back,

I thought I had a perfect right to buy and sell securities to the trusts or anybody else if I handled it reasonably and by that I mean if I did not charge them more than they were paying for securities of the same kind at the same time.

It was my opinion that I had a right to deal in these securities selling them either to the trusts or subsidiaries and earn a profit. (I (personally) didn't do any trading out of consideration for Judge Holly and my father.) I realized it would be a dangerous practice because somebody would try to show that I had been unreasonable with my dealings in the trusts. Adams, my attorney, never told me at the outset that I should not personally deal in these securities.

I did not discuss it with him at all. I have been trustee

in other cases and I never procured personal profit.

I considered it appropriate to permit Miss Johnson, Kulp or Colonial to trade in bonds of the subsidiaries for a profit. I had talked with almost every lawyer in the picture and explained to them that Miss Johnson and Mr. Kulp were on a part-time basis with me and only

on condition that they could handle their own secur-380 ities business and other work. Whether the profit they

realized in transactions with me was reasonable or not was of no consequence to me. The important thing was that I did not pay them more than I was paying anybody else.

I discussed the matter with my father and Mr. Goldman. I told Judge Holly shortly after I had made the arrangement with Miss Johnson and Kulp that it was on a part-time basis, that I was allowing them to handle their own insurance, real estate and securities business.

I also discussed the matter with Joseph T. Harrington

and Fred Silbert.

I also talked about the matter with Adams and Williamson and probably with Norman Miller.

I told these parties that I mentioned that Miss Johnson and Kulp would work for me providing they could engage in the securities business. My impression is that I didn't tell them specifically that Kulp and Miss Johnson would

be dealing in securities of the subsidiaries.

At the time of my first meeting with Kulp and Miss Johnson and my attorneys, I didn't know that Colonial or Miss Johnson was trading in securities of the subsidiaries. I don't know when I first learned that they were trading, but it was probably early in the proceedings. After I found out about their trading I don't know that I ever specifically discussed the matter with Adams or Williamson and I probably did not.

I think the cutoff date on the bills that I destroyed

was about January 1, 1937.

At that time I had not filed an account in relation to Federal covering the period for which I had destroyed the bills. During my trusteeship I did not file monthly or annual reports or accounts in either estate. I purchased bonds from Colonial and from various other bondholders outside of those who were associated with the operation of the trusts.

I knew that Colonial was conducted by my employees and I did not inquire or know what profits were made by Colonial or Miss Johnson. I now know that certain profits

were realized by Miss Johnson and Colonial.

I did not know when I made purchases of bonds from Colonial that those bonds in some cases had been 381 purchased by Colonial on the same day or within a

few days previous thereto. I knew that Miss Johnson was well acquainted with the bondholders and most of them asked for her and conferred with her when they called at the office. At the time I did not know whether Miss Johnson actually made purchases of bonds from bondholders for the account of Colonial in my office and later sold them to me at a higher price.

In relation to the securities that I purchased from Lot 1 in Seligman v. Kulp I think the testimony of Miss Johnson was true to the effect that I knew these securities were a part of the securities sold at the Seligman

sale and purchased by Tauber & Co. at that sale.

I probably learned the source of these securities between the time I agreed to buy them and the time they were delivered, but I am guessing on that. I probably

said something different previously but Miss Johnson's memory is better than mine if she previously said that she told me that Tauber's office had purchased a block of securities on her behalf, that statement is true. Prior to my purchase of these securities of Lot 1 I did not discuss the matter of purchasing these securities from her.

I think Miss Johnson was correct when she testified that prior to going to the sale in the Seligman case she had a printed list of the securities which were going to be offered for sale and that after the sale, but before its confirmation, she discussed those securities with Darrow.

I don't believe that prior to my resignation as trustee I knew of the existence of the safety box in which certain

securities were placed by Goldman.

I believe I first learned of it when he testified here. I don't believe I knew who held or claimed these securities at any time from the date of sale by the master up to the

time of my resignation.

382 PAUL E. DARROW

(Cross Examination by Mr. Mulfinger)

I would guess that I discussed the employment of Miss Johnson and Mr. Kulp with Judge Holly maybe within 30 days or within ten days after my appointment. I told him that they had been associated with the trusts prior to that time. I told him they would give me all the time that I needed to run the business and that they were to be permitted to be engaged in the buying and selling of securities.

I don't believe I told him that as part of the agreement they were to be permitted to engage in buying and selling securities of the top trusts and bonds of subsidiaries. When I employed Miss Johnson I had no idea what securities she was going to handle but I knew she had handled securities of the trusts as well as other securities. It was agreeable to me that she handle securities of the trusts and the bonds of the subsidiaries. I was not surprised when I learned that she was dealing in those securities and bonds.

I learned that they were dealing in securities of the top trusts and bonds of the subsidiaries early in the administration, probably within a month. I did not then

discuss it or tell that fact to Judge Holly. I told him that Kulp was to be permitted to retain a Commission from insurance sold on buildings of the subsidiaries and he said that was all right.

I told Judge Holly that Miss Johnson and Kulp could not afford to work for me as their sole source of income and that they would do so if Kulp could continue his

insurance, securities and real estate business.

I told Judge Holly later it would disrupt the organization if I didn't continue that arrangement on the insurance and he said it was all right. I don't remember whether I told Judge Holly that I was paying Kulp \$300

a month after I started the salary or before.

Norman Miller, who represented the petitioning creditors, did not request me to disassociate myself from Miss Johnson and Kulp. I doubt that I told Judge Holly that Colonial was to continue to occupy the same space with me. A few days or a few weeks before I resigned I was requested by members of the S.E.C. to disassociate myself from Johnson and Kulp.

I previously testified about a deficiency income tax assessment on Federal of about \$150,000 for two years which I believe were 1931 and 1932. Andresen filed

383 the protest but nothing was ever done on it until I followed it up.

I developed the theory of obsolescence which was advanced to the Treasury Department. I made an extensive search of the law.

I offered to Mr. Mosser the sheets similar to Darrow's

Exhibit 2 of 3/18/47.

That was probably within a week or two after we moved

out of the office. We moved in August 1944.

That was about a year after I resigned. I think that prior to that time he knew I had these documents because he asked me to make up the monthly reports as long as I was in the office and I needed these records to make the

monthly reports.

Mosser told me he didn't want my records. After I resigned as trustee I didn't think I would need the names and addresses of bondholders who were willing to sell their bonds of the subsidiaries. I didn't take any lists of bondholders with me when I left the office. I don't know whether Miss Johnson or Kulp did. I have seen in myoffice a list of bondholders of the various corporations which I manage.

So far as I know I do not have in my office lists of the security holders of the top trusts. I never instructed Miss Johnson that when people came in to sell bonds of subsidiaries she should send them to me because I was buying them. I never bought bonds of the subsidiaries for the trusts when the subsidiaries had money to retire those bonds.

According to my personal records there was no money in the sinking fund of Ferry on April 30, 1938, but it was overdrawn by \$7,593.23. The company then had \$22,960.28 in cash on hand. I don't know whether in May of the same year I bought from Miss Johnson some Ferry bonds that came out of the Seligman case on behalf of Federal.

Trustee's, Exhibit A for id. of 1/3/45 is in my hand-

writing except for personal notations at the bottom.

It contains a list representing the securities which were purchased from Miss Johnson and which came out of the Seligman case. I purchased some Ferry bonds from Miss Johnson which came out of the Seligman case. These bonds were second mortgage bonds in the face amount of \$25,200, and I paid \$126 for the entire block.

Ferry then had cash on hand in the amount of \$22,960.28. Exhibit A shows that I purchased from Villa Garage bonds which came out of the Seligman case from Miss Johnson. They were first mortgage bonds in the face amount of \$3,000, and I paid \$95.55 for the lot

which was purchased for Federal.

On April 30, 1938, Villa Garage had on hand \$648.44 and on May 31, 1938, it had \$457.90. At that time I purchased from Miss Johnson on behalf of Federal some first mortgage bonds of Roseland which came from the Seligman case. I paid \$9.00 for a total of \$300 in bonds. On April 30 Roseland had cash on hand of \$2,357 and on May 31 it had \$2,179. There were some Windsor bonds included in the Seligman lot.

I don't remember whether there were some bonds of Station F (postal). An examination of S.E.C. Exhibit 2 does not refresh my recollection as to whether or not there were some postal or Station F second mortgage bonds included in the Seligman sale. As I previously testified I had a list of securities that were to be sold in the Seligman case. At the time I purchased bonds from Miss Johnson which came out of the Seligman case I presume I had the information as to what bonds were sold in the

Seligman case but I didn't know offhand what those bonds were. I had a list but I don't always remember every item on the list. I probably didn't refer to the list at the time

I bought the bonds from Miss Johnson.

385 Hearing Before Special Master Archie E. Cohan April 17, 1947.

PAUL E. DARROW

Cross Examination by Mr. Mulfinger.

Referring to my records I find Station F did not purchase any of its own bonds during May 1938. In June 1938 it bought \$3,000 of its first mortgage bonds for \$2,030.

6929 North Clark, referred to here as Rogers Park, purchased in May 1938 \$9,500 face amount of its bonds for \$3,275. Windsor Shore purchased in May 1938 5,000

of its bonds for \$1,000.

I did not keep similar personal records pertaining to the two trusts. I kept records showing the income tax returns of the two trusts for the years 1935-43.

PAUL E. DARROW

Examination by Mr. Herriott.

When I bought second mortgage bonds of Ferry for Federal I didn't buy any for Ferry. Ferry had some cash in its general account and none in the sinking fund. I bought part of these second mortgage bonds for Ferry because the plan of reorganization said that no second mortgage bonds are bought at any time until all the first mortgage bonds had been paid, and there were then some \$500,000 in first mortgage bonds of Ferry outstanding.

I bought \$3,000 of Villa Building bonds for Federal but although Villa had some cash on hand it had been losing money, I didn't want to deplete its cash. Among the securities purchased on May 19, 1938, from Lot 1 were

\$300 par value of Roseland bonds.

Roseland was in reorganization and I thought it improper to use the company funds for buying bonds because that might be preferring one creditor against

another.

According to trustee's Exhibit A for id. of 1/3/45, \$2,000 of Windsor bonds were purchased by National for \$400; \$9,400 by the Chairman Account for \$1,880 and \$5,000 by Windsor for \$1,000.

At the end of April (1938) Windsor had \$3,092 on hand and at the end of May it had \$1,209 in the general 386 account. At that time some interest was coming due.

I didn't buy any more of these bonds at the time for Windsor itself because I thought we would be shore of money with back taxes and interest to meet.

At the first of November we were overdrawn a small

amount.

Trustee's Exhibit A for id. does not show that I purchased any of the bonds of postal for either the trust or the Chairman Account. Said exhibit shows that Rogers Park bought some of its own bonds and the top trusts did not buy any of the Rogers Park bonds.

I don't think Miss Johnson offered me any postal bonds in May 1938 but at any rate postal couldn't buy any of its own second mortgage bonds under its plan until the first mortgage had been reduced to \$250,000. They had

not been so reduced on May 19, 1938.

The list of securities contained in Trustee's Exhibit A for id. of 1/3/45 shows only the bonds that I bought and not the bonds that I did not buy. While I was acting as trustee I purchased \$2,741,390 par value of bonds for

the trusts, subsidiaries and the chairman account.

I also purchased 300 shares of Station D and 41,920 shares of Park View Class A preferred, all of which stock went to the chairman account. The total cost of said bonds and stock was \$983,684.94. In May or June 1943 Hart, who is in charge of the S.E.C. office in Chicago, advised me to discharge Kulp and Miss Johnson. He so advised me in his office in Chicago. He said I had been allowing Kulp and Miss Johnson to make a profit in securities, that I would have to resign and if I did not, they would start action to remove me. He said while he didn't have anything on me that didn't mean he wouldn't get something on me.

He added that if I discharged Kulp and Miss Johnson he would be satisfied to have me remain as trustee. I agreed to start suit against Kulp and Johnson as he desired. He said he wanted a suit started against Kulp and Johnson and I agreed to start it but I pointed out that I had to keep Kulp and Johnson as long as I remained be-

cause I needed them for the business. He gave me a certain deadline to make my decision.

When I talked with Hart, Roberson was present.

The representatives of the S.E.C. in Philadelphia also asked me to discharge Miss Johnson and Mr. Kulp but I don't remember who they were.

387 I didn't discharge Miss Johnson and Kulp. I am not familiar with the income tax protest filed by An-

dresen.

Based on market value at the date the securities were taken out, the securities purchased with the proceeds of my loans from the First National Bank had a total value of \$18,845 at the time they were taken out. The market value was either the last sale before they were taken out or the first sale afterwards. I got my information as to the sales prices from Andrews' report.

PAUL E. DARROW

Cross Examination by Mr. Roberson.

When I previously testified that my attorneys had not advised me to dispense with the services of Miss Johnson because she was dealing with bonds of the subsidiaries, and when I said I was never advised by anyone else to dispense with the services of Miss Johnson or Mr. Kulp, my statement was true to the extent that nobody ever suggested it until after they had stopped trading and I thing nobody ever suggested it until my conversation with Hart.

When I had the alleged conversation with Mr. Hart, I did not know the trading was going on in the securities by Miss Johnson and Kulp. I would say that they stopped trading in these bonds prior to 1940 but the Andrews report should give the answer. I think I learned that they had stopped trading at about the time their trading ceased.

I learned that fact when Miss Johnson told me they were not going to re-register as security dealers. That fact coupled with the further fact that I didn't buy any more securities from Colonial, and I think from Miss Johnson and Kulp, is the basis of my statement that they stopped trading.

My conversation with Mr. Hart took place in May, June or July of 1943. At that time I was not represented by an attorney named Mr. Kelly but I subsequently re-

tained him.

His name is John Kelly and he is from New York City. He recommended that I dispense with the services of Miss Johnson and Kulp. Mr. Hart said if I would dispense with the services of Miss Johnson and Kulp he would have no objection as to my continuing as trustee.

Robert McCormick Adams was my attorney until I resigned as trustee and during the time that I consulted

with Mr. Kelly. Adams did not refer me to Kelly.

388 PAUL E. DARROW

Redirect Examination by Mr. Herriott.

I paid Kelly a fee out of my own pocket. He advised me to dispense with the services of Miss Johnson, and. Kulp between August 1 and August 13, 1943.

He had then been retained by me for about 60 days and had participated in about six to ten conferences with

Kelly advised me to discharge Miss Johnson and Kulp

the last time I saw him in Philadelphia.

He had two conferences with the S.E.C. at which I was present and he said that he had had several others. There were no more conferences with the S.E.C. after he advised me to discharge Miss Johnson and Kulp:

PAUL E. DARROW

Cross Examination by Mr. Courshon.

I first consulted Kelly in June or July of 1943.

I was prompted to consult other counsel because I think Adams told me he wouldn't be the proper one to. see the S.E.C. with me.

The Andrews' report had been completed about two years before I first consulted Kelly in 1943. I had consulted Adams with respect to a plan and we worked toward one for a long time. We had one completed for National but about that time the S.E.C. came into the picture and stopped it in 1941. I did not petition the court for leave to consult counsel other than Adams.

Adams did not indicate that he wanted to resign as my

attorney prior to my consultations with Kelly.

PAUL E. DARROW

Cross Examination by Mr. Roberson.

I did not file a plan before the S.E.C. became a party to the proceedings. The plan was substantially agreed to by all the attorneys but when the S.E.C. appeared the attorneys decided it was better to forget the plan until they knew more about what the S.E.C. was going to do. In the case of National a plan had been agreed upon.

We hadn't gotten far enough to discuss a plan in

Federal.

389 PAUL E. DARROW

Cross Examination by Mr. Mulfinger.

I first learned that there was some complaint about my administration of the estates when Hart called me to insist upon my resignation. I knew that an order had been entered directing Andrews to investigate the two trusts.

STACY C. MOSSER

Cross Examination by Mr. Herriott.

My name is Stacy C. Mosser and I am trustee of Fed-

eral and National.

I have so acted since August 13, 1943. The following subsidiaries of National are under my supervision: Armour, Austin, Berwyn Division and LaVerne, Grand Rapids, LaGrange, Ogden Park and Postal. The following subsidiaries of Federal are being administered by me: Chicago P.O.; Columbus, Dallas, Ferry, Irving Park, Mc-Kinley Park, North Halsted, Quincy Station, Roseland, Southside P.O., Station D, 22nd Street, U. S. Building and Villa Building.

As trustee I keep the books of account and employ Mr. Marquiss as accountant. I don't keep the books myself nor do I keep any separate personal records for the trusts or the subsidiaries. I have not personally made or kept any records similar to Darrow's Ex. 2 of 3/18/47, Exs.

2, 2-A to 2-L, 3, 4 and 5 of 3/18/47.

I have made memoranda for my own personal information at the time. I never saw these or any similar records prior to coming in here to testify except that I think Mr. Mulfinger had them in my office and I just glanced hurriedly at them. I dictate and keep the corporate records or minutes of meetings. That is about all. I keep memoranda, of course, and copies of reports to which I refer.

I keep the memoranda I make only temporarily when I am thinking over things. My memoranda are temporary

notes.

I have a file of monthly reports of each company and a lot of data about the plans etc. in a book on my desk. That is made up by me and kept made up and I refer to that. I don't keep any records such as Mr. Darrow kept.

STACY C. MOSSER

Cross Examination by Mr. Mulfinger.

Darrow did not at any time offer to turn over to me his records similar to Exhibits 2-A to 2-L, 3, 4 and

390 5 of 3/18/47.

After I was appointed trustee I instructed my employees about the records that were to be made up. In addition to the records which Marquiss keeps I have my girl make up the book of records I just mentioned. It contains an outline of the plan in each case, the amount of bonds and due date and what we should do with our proceeds.

The book has the latest statements and usually a list of the leases on the property. If I want to know how much

the company has in the bank, I go to the books.

PAUL E. DARROW

Examination by Mr. Herriott.

I testified that the total market value of the securities which were purchased with the proceeds of my personal loans later paid by the trusts was approximately \$18,000.

(A schedule prepared by Darrow with respect to each of the bond issues showing the value of each of the bonds at the time they were paid for by the trusts was marked Darrow's Ex. 1 of 4/17/47. The exhibit is entitled "Securities Purchased by Mr. Darrow with Proceeds of Personal Loans made in the First National Bank, Aggregating \$11,462.50 and Their Market Value at the Dates Loans Were Paid and Securities Delivered by Mr. Darrow based on the Prices Being Paid for Similar Securities at Such Dates or the Next Purchase of Similar Securities.")

The figures shown as to the market values opposite each of the bonds on said exhibit were obtained from the same source which I testified to when I gave the total figure on the market value.

(Darrow's Exhibit 1 of 4/17/47 was received in evi-

dence.)

PAUL E. DARROW

(Cross Examination by Mr. Roberson)

I didn't personally prepare Exhibit 1. Miss Johnson prepared it for me. The figures in the righthand column as to the market value as to the dates the loans were paid were taken from the Andrews' report.

We took figures from Andrews' report on sales 391 which were the closest dates to the ones in which we

were interested. I think the Andrews' report purports to cover only transactions by Colonial, Miss Johnson, Kulp, myself and the subsidiaries, and it doesn't necessarily represent the market value but only the prices

being paid as reflected in the Andrews' report.

(Courshon objected to Darrow's Exhibit 1 on the ground that it does not establish market value of bonds as of the date they were taken over by the trusts. The Master stated that the point was well taken and that the exhibit doesn't show the market value generally. The Master stated that the exhibit would be stricken physically.)

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Hearing before Special Master Archie H. Cohen May 28, 1947.

THOMAS B: HART

(Examination by Mr. Roberson)

My name is Thomas B. Hart. I reside in Highland Park, Illinois. I am an attorney and Regional Director of the Chicago office of the Securities and Exchange Commission.

I know Paul E. Darrow. I recall a conference in my office in May or June, 1943 with Mr. Darrow at which Darrow, Roberson and I were present. Prior to this time the Commission had been participating in these estates and had made certain investigations.

At this conference I told Darrow that we were going to file a petition asking for his removal as trustee. He said he was sorry but that he would like an opportunity of discussing the matter with his counsel. I told him that was all right but added that our action was not to be construed as a threat, but something we would do after

authorization by the Commission.

Neither at that conference nor at any other time did I tell Darrow that we did not have anything on him, but that we would get something on him. I don't think I spoke to Darrow more than two or three times and this was the first occasion. Late in May or early in June, 1943. I never told Darrow at that conference or at any time, that if he would discharge Miss Johnson and Mr. Kulp that the Commission would not file a petition for his removal.

At that conference I never made the statements ascribed to me by Darrow at page 2423 of the record. to the effect that he knew all the publicity he would get if we started after him and it would embarrass Judge Holly, and further that while we didn't have anything on him that doesn't mean we wouldn't get anything on him and he would probably have to pay the profits that they (Kulp and Miss Johnson) made on securities and insurance, and that the best thing for him to do was to resign. Neither did I say at that conference that if he wanted to discharge Kulp and Miss Johnson we would be perfectly satisfied to have him remain as trustee. I never made such statements at that time or at any time.

393 THOMAS B. HART

(Cross Examination by Mr. Herriott)

I believe Darrow came to my office at my request. I asked him to call at the office because in a matter of this kind where we are going to file a petition for removal, we felt we should advise him before we actually proceeded. At my conference with Mr. Darrow, we discussed our proposed petitions for his removal. He was in the office only a few minutes. He said he was sorry we were taking this position and he wanted to confer with his counsel. That was the substance of the conversation.

The names of Miss Johnson and Mr. Kulp were mentioned in the petitions. About a dozen of the paragraphs dealt with the dealings of the trustee. I went over all of the allegations in the petitions with him. I said the results of the report made by Andrews and the investigation by our accountants would indicate that certain of the employees were trading in securities of the trusts, prob-

ably at a profit to themselves.

I think I stated that he had been in as trustee for 8 years and had filed no Sec. 167 reports. There was no interim report in one case at all and one in the other. I pointed out there was no indication of a plan being filed and that together with the trading by the employees, warranted the Commission's contemplated action. I did not intimate to him that he should discharge Miss Johnson or Mr. Kulp. I believe Darrow, Roberson and I were the only ones present at the conference. The only comment Darrow made was that he was sorry the Commission was going to take this action. I don't think he was in the office more than 20-25 minutes.

A great part of the time was spent in discussing the paragraphs in the two petitions. When we finished we had this discussion where he said he was sorry the Commission felt that way. I don't remember whether it was at this meeting or another meeting, but he intimated that he had a great deal of confidence in Johnson and Kulp. There was another conference but I don't remember whether I was present. I remember meeting Darrow once on the train coming back from Philadelphia. After that Bob Adams came in to discuss the matter. Shortly thereafter, new counsel was in and out of the case, but I did not have much to do with that. Mr. Roberson and George

Launtenbach, an accountant, worked on it.

the petitions, he said he had confidence in these two people. His statement may have been brought about because the petitions indicated that they were trading in securities of the trusts and in reading the petitions perhaps Darrow thought it necessary to state that. I have given all the conversation I recall that took place at that meeting, or at any other meeting between Darrow and me. Any further discussions would have been on whether the petitions would be filed then or later. I think that sometime in August Roberson indicated to Adams that we were going to file the petitions.

I think that thereafter Darrow telephoned Roberson stating he was going to resign but he would like to await the return of Judge Holly to the city. We indicated that was the situation, we would hold the petitions. The petitions requested the removal of Darrow as trustee, contained a prayer for the filing of a final report and ac-

count and a prayer for general relief.

As I recall, Darrow made no comment as to whether the allegations of fact were correct or incorrect, but said he wanted to discuss it with his counsel. He did not have his counsel with him but there was no request that counsel should not be present. Mr. Adams would have been welcome but he was out of town. Shortly after that, Adams and Roberson communicated with each other. I never stated to Darrow that one reason we wanted him removed was because we wanted a trustee who would file a suit against Kulp and Miss Johnson. That suggestion was never discussed.

I do not recall Darrow saying that he would start it and if I did not want his attorney to prosecute the case it could be filed in his name and any other attorney could prosecute the case. There was an attorney named Mr. Kelly from New York who came in and discussed the matter. The number of discussions I had in the case was very limited. To the best of my recollection, all that Darrow said during this conference was that he regretted

that the SEC was going to take this action.

ROBERT McCORMICK ADAMS

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(Examination by Mr. Roberson)

My name is Robert McCormick Adams and I reside at 2430 North Lakeview Avenue, Chicago. I am an attorney and my law firm acted as attorneys for Darrow, as trustee, from April 1935 until December 1943 or the spring of 1944. I actually retired as attorney when Mosser came in except for a few matters, which I finished up.

I know Paul E. Darrow and Mr. Hart.

I saw Hart as Darrow's counsel subsequent to the above discussed conference between Hart and Darrow. At my conversation with Mr. Hart, nothing was said about any threat. Darrow related to me the conversation with Hart. At the conferences attended by Darrow, Hart, and myself, nothing was said by Hart to the effect that the

SEC had nothing on Darrow, but would get something on him.

At the conferences attended by Darrow, Hart and me, Hart did not say that if Darrow would discharge Miss Johnson and Mr. Kulp the Commission would then file a etition to remove Darrow as trustee. I think that later that when we were coming down to a decision, Darrow told me that Hart had made a statement to that effect. I think in late July Darrow said there was to be no petition to discharge him if he would discharge Miss Johnson and Mr. Kulp. As to whether Darrow told me that Hart made the statement to him, I don't recall the basis of Darrow's statement, but he told me that.

I met Miss Johnson early in the proceedings, and have no recollection of Kulp until the summer of 1935. I think I first met Kulp when I went to the office of the Trust at 29 S. LaSalle Street after Darrow's appointment.

Early in the proceedings Darrow informed me that he was going to continue the services of Miss Johnson and Kulp until he became oriented in the job as trustee. I re-

member he said it was to be temporary.

I don't think Darrow said anything to me about Kulp and Miss Johnson conducting a securities business, but I don't recall it. I did not know that Kulp and Miss Johnson were trading in the underlying securities of the trusts. I did not know that Darrow, as trustee, was purchasing securities from these employees.

I did not know that they owned Colonial, but I have since learned that fact. As to when I first learned it, I think it may have been involved in the Andrews' report.

That was when I first definitely learned of it.

a man named Rose had the insurance. Although Darrow testified (page 2150) that at the first meeting he had with Kulp. Johnson and me, I asked about the insurance and commissions obtained by Kulp. I have no recollection of any such meeting.

I have a recollection [that] late in the summer after which the proceedings started, of attending a meeting at which Rose stated he carried most of the insurance on these buildings. I don't remember Kulp being there. Rose was an officer of one of the reorganized companies known

as the North Clark Street Building.

So far as I recall, nothing further was said at that occasion or at a later occasion, about the insurance on the properties. I didn't know that Kulp was receiving a portion of the commissions, nor do I ever remember hearing that he was obtaining insurance premiums. I don't recall that Darrow ever informed me that Kulp was receiving insurance premiums, nor did Kulp, Johnson or anyone else connected with these cases so inform me, so far as I recall.

I think I advised Darrow to dispense with the services of Miss Johnson or Mr. Kulp during 1935. I was opposed to any continued retention of Miss Johnson or Mr. Kulp. I informed Darrow of that fact once, twice, or three times, probably during the summer of 1935. Darrow's answer was that they were familiar with the affairs of the com-

panies and he needed them in management.

I did not give as my reasons for recommending the dismissal of Kulp and Miss Johnson the reason ascribed to me by Darrow at page 2341 of the record, namely that if Miss Johnson or Kulp remained they would gradually obtain control and take the companies from Darrow and me and neither of us would have any income from them.

At the early conversations with Darrow he took the position that he wanted to continue the services of Miss Johnson and Mr. Kulp. I think I objected at that time and a month or two later I again suggested that their services be dispensed with. I raised the question many times and told him I was fearful that if the company was reorganized and Miss Johnson and Kulp emerged as controlling the trusts, it would be a reflection on his trusteeship. Miss Johnson was able and I felt if she stayed in as a confidential advisor of the trustee, it would not be good for the bankruptcy administration of the companies.

I was against it.

Darrow never told me I was not the person to see the SEC with him, neither did I tell Darrow that I was

not the proper one to see the SEC with him.

I never discussed or suggested the employment of Kelley or any other counsel to represent Darrow before the Commission.

ROBERT McCORMICK ADAMS

(Cross Examination by Mr. Herriott)

So far as I recall, I saw Hart only once. I believe I was out of town in May, 1943 when Darrow was asked to see Hart. When I got back Darrow apprised me of

the meeting and of the conversation.

This was in late May or early June of 1943. Darrow instructed me or I asked permission to see Hart. I was alone at that conversation. This was before Darrow and I both spoke to Hart. It was late in July, 1943 when Darrow told me the Commission would not file the petitions seeking his removal if he would discharge Miss Johnson and Kulp. This was after Darrow and I called on Hart.

During the latter part of June or in July the question of whether or not Darrow should resign came up. We had both examined the petitions and there was a serious question of whether he should resign or contest the petitions. After he determined to resign, he said that if he discharged them he knew the petitions would not be filed. He said they had rendered a great deal of service to him and he was not going to discharge them. I don't know the basis for his statement that he believed that if he discharged them the SEC would not ask for his removal.

When Darrow told me at the outset that he was going to keep Miss Johnson and Kulp, I don't think anything more was said than that their retention should be for a short period. I familiarized myself with all that had gone on shortly before the filing of these petitions. It was quite a picture and I was averse to their being retained. He said it would be for a short period, and I don't think I

objected until later.

About a year or a year and a half after Darrow's appointment, I told him that they should be discharged because if they came out in control of the business he would be criticised. I had no knowledge of any method by which they might come out in control except they had been

398 with the companies since their inception. I had great and increasing respect for Miss Johnson's ability. I felt the retention of these people was not sound. I don't know how they could come out in control. I don't think I knew they were dealing in the securities until after the

Andrews' report. If they were the right arm of the trustee during the period of reorganization, I think they would be in a very strong position to get control.

Darrow did not discharge either of them. Miss Johnson had a vast knowledge of the detailed various securities of the 26 companies in the two trusts. There is no doubt that she was of value on the historical value and facts.

I think I did have a conversation with Darrow regarding a suit to recover profits on securities which they purchased and sold. I would be persona non grata to file suits and collect whatever money was collected. I think in the last weeks I did discuss with Darrow that I could handle the suits. When Darrow resigned, I went with him. I don't recall a conversation with Darrow in the summer of 1943 regarding my representing him as attorney in

suing Kulp and Miss Johnson.

In the late summer of 1935 in connection with the North Clark Street Building, I met with Miss Johnson, Darrow, Rose, and Williamson of my office. Rose was present because, I believe, he was an officer and the meeting was in connection with the details of the reorganization. The question of the insurance on the properties was not the purpose of the meeting. I recall that Rose handled the insurance, that is all. I have no recollection of having then heard that Kulp was obtaining part of Rose's commission.

That was never discussed at any meeting I had with Darrow, Rose, Kulp, or anyone else. I first recall hearing about the insurance at the discussion when we were talking about the reorganization of the North Clark Street Build-

ing.

(Ledger sheets of Joseph Baumann were re-offered in evidence as Resp. Ex. 16 and 16-A and were received. A copy of a telegram from Mr. McCrann of the SEC in Philadelphia to attorney John H. Kelley of New York, having been verified by Mr. Roberson, was marked Darrow's Ex. 1, of May 28, 1947, and a copy of the letter sent by Mr. McCrann to Mr. Kelley confirming the telegram was marked Darrow's Ex. 2, of May 28, 1947. Mr. Herriott said Roberson agreed that, if material, a copy of the telegram may be received in evidence provided a copy of the confirming letter is received. Counsel said they had no objection. The Master stated that a copy of the telegram might be received in evidence.)

Trustee's Ex. 4A, marked for id. at pages 505-6, was received in evidence.

Trustee's Exhibits marked 4, 5, and 6 for id. at page 532, were received in evidence. Trustee's Ex. 7A to 7E for id/ referred to at pages 629-30, were withdrawn.

Trustee's Ex. 8A through 8C for id. referred to at page 630, were withdrawn. The first 88 pages of Trustee's Ex. 12 received in evidence at page 749 and 783, were withdrawn from the exhibit and pages 89-92 of said exhibit remain in the record.

The exhibit, as amended, was marked as Trustee's Ex. 12 of May 28, 1947. Trustee's Ex. 1 and 1A through 1F of February 25, 1946, marked for id. at pages 1050-52, were received in evidence. A copy of the intervening petition filed by Darrow in the Kulp & Co. bankruptcy had been marked Trustee's Ex. 14 for id. at page 1479.

Trustee's Ex. 14 was received in evidence. The order of October 27, 1936 on the Kulp & Co. bankruptcy in which reference is made to the above-mentioned Darrow petition, was marked for id. as Darrow's Ex. 3 of May 28,

1947 and received in evidence.

A stipulation signed by counsel for all parties dealing with certain communications received by and sent by Joseph Baumann, was marked stipulation dated May 28,

1947, and was received as a bulk exhibit.

It was stated for the record that Parts I and II of said stipulation and the attached exhibits pertaining thereto, are introduced by the SEC and the other objectors and that Part III on page 8 and the attached documents pertaining to Part III, are offered in evidence on behalf of Darrow.

The Master fixed the following schedule of dates for filing of briefs: June 27, 1947 for objectors' original briefs; July 15, 1947 for Darrow's answering brief; and July 25, 1947 for reply briefs by objectors. Argument was

set for July 29, 1947.

407 RESPONDENTS	EXHIBIT 3.
	No. 11272
Bought of First National Bank	Date 11/6/36 Salesman Sales O. K.
\$	
Lot of Miscellaneous Securities	
/Issue	Rate Maturity Price and Int. Div.
Delivery Instructions	Option Basis Dated Int. Dates Denominations Source
Exchange For	
4000 Div & Lav. A	Principal / 255500 Intl To
1000 Armour A 2000 Villa Garage	Total
	Commission
3500 St. Louis 2nd	Postage & Ins.
	Amount Due
1000 Rogers Park Figured Che	ecked

408

RESPONDENTS EXHIBIT 3-A.

COLONIAL SECURITIES CO. 100 W. Monroe Street Chicago, Ill.

Nov. 10 1936 No. 11306 Date 11-9-36 Salesman Office

Cage Paul, E. Darrow, Chairman

We are pleased to confirm purchase for you of securities described below, subject to instruction as noted

Quantity Security Rate Maturity Price Amount
1 lot Bonds \$2555.00

Interest From To

Cash Journal Principal—2555

Commission

Security Ledger Prem. & Disc. Profit & Loss

Tax Shipping Charges

Bond Register Joint Acct.

Amount Due

Interest Sales Record

Total— 2555

RESPONDENTS EXHIBIT 5.

409. This agreement entered into this 5th day of November, 1936, by and between

THE FIRST NATIONAL BANK OF CHICAGO,

a national banking association, hereinafter sometimes referred to as the "seller", and

COLONIAL SECURITIES COMPANY,

an Illinois corporation, hereinafter sometimes referred to as the "purchaser", witnesseth that:

Whereas, the seller owns the following listed note and bonds, to-wit:

Principal promissory note of Jacob Kulp & Co., Inc., dated November 24, 1933, in the amount of \$27,300.00, payable thirty days after date, to the order of Foreman-State National Bank, which said note has been reduced by partial principal payments, to the principal sum of \$9,554.68, and has been endorsed for value by the payee thereof to The First National Bank of Chicago, the payment of which note has been guaranteed by Jacob Kulp, as will more fully appear from an examination thereof, with interest at 7% from Sept. 30, 1934.

Deliverable as provided in paragraph 2 below upon payment of: \$84,000.00 principal amount Federal Facilities Realty Trust Collateral Trust Series A 6½% Gold Bonds, due October 1, 1939, being bonds Nos. 96/100 both inclusive for \$100.00 each; 569/615 both inclusive for \$500.00 each; 955-6 both inclusive for \$1000.00 each; 1028/1085 both inclusive for \$1000.00 each; all with interest coupons due April 1, 1933 and subsequent coupons attached.

\$1,075.00

\$2,000.00 principal amount South Shore Villa Annex Building 6½% First Mortgage Bonds, being Bonds Nos. 15-16 both inclusive for \$500.00 each, due November 20, 1930, with no coupons attached, and Nos. 66 and 67 for \$500.00 each, due May 20, 1938, with May 20, 1933 and subsequent coupons attached.

20.00

410

provided in paragraph 2

below upon

payment of:

\$3,750.00

875.00

250.00

tached.

John J. Feeley.

Deliverable as \$7500.00 principal amount Austin Station Postoffice Building First Mortgage Income Bonds, bearing interest at not to

exceed 3%, being Bonds Nos. 424 and 425 for \$1000.00 each, due by extension agreement April 15, 1948, and Bonds Nos. 175 and 176 for \$500.00 each, due April 15,

1948; and Bonds Nos. 235/41 both inclusive, 288 and 290 for \$500.00 each, due October 15, 1948, with April 15, 1937 and 'subsequent coupons attached.

\$10,000.00 Division and Lavergne Post-

office building First Mortgage 6% Sinking Fund Series A Bonds, being Bonds Nos. 190 for \$1000.00; 124-140 for \$500.00 each; 5,000.00 30 for \$100.00 and 36/38 both inclusive and 41 for \$100.00 each, due July 15, 1939, with interest coupons due January 15, 1937 and subsequent coupons attached.

> \$3,500.00 principal amount Park View Manor Building 7% First Mortgage Bonds, being Bonds No. 866 for \$500.00, Nos. 1104, 1046 and 976 for \$1000.00 each, all due June 1, 1938, with coupons due June 1, 1933 and subsequent coupons at-

\$3,000.00 principal amount Ogden Park Postoffice Building 6% First Mortgage Sinking Fund Bonds, being Bonds Nos. 365/6 and 369 for \$1000.00 each, due June 1, 1939, with coupons due June 1, 1933 and subsequent coupons attached.

\$1,000.00 principal amount 6929 North Clark St. Building Corporation First Mortgage Income Bonds, bearing interest at not to exceed 3%, No. 492 for \$1000.00, due August 1, 1943, registered in the name of John J. Feeley, and to which is attached a blank bond power executed by

\$1,000.00 principal amount Armour Station Postoffice First Mortgage Series A Income Bonds Nos. D-4 and D-39 for \$500.00 each, bearing interest at not to exceed 3%, due by extension agreement stamped thereon June 15, 1950, with December 15, 1936 and subsequent coupons attached.

Non-negotiable receipt of the National City Bank of Cleveland, depositary under proceedings of reorganization filed in cause No. 37413 in the District Court of the United States, Northern District of Ohio, Eastern Division, entitled "In the Matter of the United States Parcel Post Building Company, debtor, and dated August 18, 1936 for \$7000.00 principal amount of The United States Parcel Post Building Company First Mortgage Leasehold 61/4% Bonds No. 232 for \$1000.00, due December 1, 1942; Nos. 676, 680 and 806 for \$1000.00 each, and Nos. 497, 577, 597, 627, 653 and 660 for \$500.00 each, due June 1, 1943, all with June 1, 1933 and subsequent coupons attached.

\$1,500:00 principal amount 22nd Street
Station Post Office 6½% First Mortgage
375.00 Sinking Fund Bonds Nos. 232 for \$1000.00
and 171 for \$500.00, due December 1, 1931,
on which appear notations indicating that
interest has been paid to June 1, 1934.

\$3,500.00 principal amount United States Government Parcel Post & Service Station 7% Bonds, bearing by extension agreement 5% interest, being Nos. 114/16 both inclusive for \$1000.00 each and No. 7 for \$500.00, due June 1, 1942 with June 1, 1935 and subsequent coupons attached.

35.00

and

Whereas, the obligors of said note and of many of the bonds are now either in bankruptcy or in corporate reorganization, as is well known to the purchaser, and

Whereas, claims have been or may have been filed by the "seller", or its attorneys, or by the trustee under the bond issues or by others in certain of said proceedings,

and .

Whereas, the purchaser is more familiar with the value and condition of said bonds and note, and with the proceedings involving said promissors and claims filed there-

in, than is the seller, and

Whereas, the purchaser has offered the seller Twelve Thousand Dollars (\$12,000.00) for the interest of the seller in said note and bonds and seller's interest in the claims filed thereon,

NOW, THEREFORE

1. The seller hereby agrees to sell to the purchaser the said note and bonds, but without any representation or warranty in any event whatsoever, for the said sum of Twelve Thousand Dollars (\$12,000.00), and acknowledges receipt of a note of even date herewith, executed by the purchaser and payable to the order of the seller on or before four (4) months from the date hereof, not as payment for said securities, but as evidence of its

promise to pay said sum.

2. The securities and the non-negotiable receipt representing certain bonds covered by this agreement shall be held by, and title thereto shall remain in, the seller until payment of said purchase price; provided, however, that the seller will deliver possession and transfer title to the purchaser of any of the securities, except as hereinafter provided, upon the actual payment to the seller of the sum set out in the left hand column opposite the description of such securities; provided further, however, that nothing herein contained shall be construed so as to compel the seller to deliver the \$3000.00 Ogden Park Postoffice Building Bonds prior to July 1, 1937.

3. The seller agrees to endorse the said note of Jacob

Kulp, & Co., Inc. as follows:

413 "Without warranty or recourse in any event whatsoever against The First National Bank of Chicago, or Foreman-State National Bank" and to deliver the same to the purchaser as soon as the purchaser is entitled to receive any of said bonds.

4. The seller agrees to prepare, execute and deliver a bill of sale covering said note and bonds at the time of

payment therefor.

5. The purchaser agrees that there shall be no duty upon the seller to take any steps from this day forward to protect said securities or to take any action of any kind in the reorganization proceedings involving any of said securities, provided however that nothing herein contained shall preclude the seller from taking such action if it desires and the seller may, so long as it has title to said securities, take any and all action involving said securities which it may desire, without incurring any liability whatsoever to the purchaser for such action.

6. The seller agrees to execute such further instruments, letters or documents as may be necessary to effect the sale of said securities or assignment of claims to the purchaser; said instruments to be prepared by the pur-

chaser and approved by the counsel for the seller.

7. The purchaser agrees to pay to the seller on or before March 5th, 1937 said sum of Twelve Thousand Dollars (\$12,000.00), and accept delivery of said note and bonds.

414 In Witness Whereof, the parties hereto have caused these presents to be executed, in duplicate, by their duly authorized officers, this 5th day of November, A. D. 1936.

The First National Bank Of Chicago By: Thomas Goldman Its Assistant Vice-President

Attest:

L. L. Hobbs Its Assistant Cashier

> Colonial Securities Company By: Jacob Kulp Its Pres.

Attest: M. Johnson Its Secretary 415 State of Illinois } county of Cook } ss.

I, Gaylord A. Freemont, a Notary Public in and for the County and State aforesaid, Do Hereby Certify that Thomas G. Johnson, Assistant Vice-President, and L. L. Hobbs, Assistant Cashier, of The First National Bank of Chicago, who are personally known to me to be the same persons whose names are subscribed to the foregoing as such Assistant Vice-President and Assistant Cashier, appeared before me this day in person and acknowledged that they signed, sealed and delivered the said instrument of writing as their free and voluntary act, and as the free and voluntary act of the said The First National Bank of Chicago, for the uses and purposes therein set forth, and caused the corporate seal of said bank to be thereto attached.

Given under my hand and notarial seal this 5th day of

November, A. D. 1936.

Gaylord A. Freemont Notary Public

State of Illinois County of Cook ss.

I, Gaylord A. Freemont, a Notary Public in and for the County and State aforesaid, Do Hereby Certify that Jacob Kulp, President, and M. Johnson, Secretary, of Colonial Securities Company, who are personally known to me to be the same persons whose names are subscribed to the foregoing as such President and Secretary, appeared before me this day in person and acknowledged that they signed, sealed and delivered the said instrument of writing as their free and voluntary act, and as the free and voluntary act of the said Colonial Securities Company, for the uses and purposes therein set forth, and caused the corporate seal of said company to be thereto attached.

Given under my hand and notarial seal this 5th day of

November, A. D. 1936.

Gaylord A. Freemont Notary Public

416 RESPONDENT'S EXHIBIT 6 FOR ID.

7/15/46

Number 7779

Colonial Securities Co.-29 So. LaSalle St.

Chicago Nov. 6, 1936—\$2550.00 Pay to the order of First National Bank of Chicago C331Reg 2550 Dols 00 Cts.

Colonial Securities Co. M. Johnson Secy.

To the
Continental Illinois National Bank
and Trust Company
of Chicago
(2-3) Chicago, Illinois (2-3)

Stamp-On reverse side.

Paid through Chicago Clearing House

420 Nov 7 36

To the First National Bank

Pay to the order of Any Bank or Banker Prior endorsements guaranteed 2-1 First National Bank 2-1 of Chicago, Illinois

417 RESPONDENT'S EXHIBIT 6-A FOR ID.

7/15/46

Number 7928

Colonial Securities Co. . 29 So. LaSalle St.

Chicago, Dec. 4, 1936—\$2750.00 Pay to the order of First National Bank of Chicago C331Reg 2750 Dols 00 Cts.

Colonial Securities Co. M. Johnson Secy. Stamp—On reverse side:

To the

Continental Illinois National Bank and Trust Company

of Chicago

(2-3) Chicago, Illinois (2-3)

Paid through Chicago Clearing House

450 Dec. 8 36

. To the First National Bank

Pay to the order of Any Bank or Banker Prior endorsements guaranteed 2-1 First National Bank 2-1 of Chicago, Illinois

RESPONDENT'S EXHIBIT 6-B FOR ID. 418

7/15/46

Number 8053

Colonial Securities Co. 209 So. LaSalle St.

Chicago, Dec. 31, 1936—\$3075.00 Pay to the order of First National Bank of Chicago C331Reg 3.0-75 Dols 00 Cts.

Colonial Securities Co. M. Johnson Secy.

Stamp—On reverse side:

To the

Continental Illinois National Bank and Trust Company

of Chicago

Chicago, Illinois (2-3) (2-3)

Paid through Chicago Clearing House

540 Jan. 2, 1937

To the

First National Bank

Pay to the order of

Any Bank or Banker Prior endorsements guaranteed First National Bank 2-1

of Chicago, Illinois

419 RESPONDENT'S EXHIBIT 6-C FOR ID.

7/15/46

Number 8213

Colonial Securities Co. 29 So. LaSalle St.

Chicago, 2-5, 1937—\$1750.00

Pay to the order of The First National Bank & Trust Co. C331Reg 1,750 Dols 00 Cts.

Colonial Securities Co. M. Johnson Secy.

Stamp-On reverse side:

To the Continental Illinois National Bank

and Trust Company of Chicago

(2-3) Chicago, Illinois (2-3)

Paid through Chicago Clearing House

500 Feb. 6, 37 To the

First National Bank

-or-

Pay to the order of Any Bank or Banker Prior endorsements guaranteed 2-1 First National Bank 2-1 of Chicago, Illinois

420 RESPONDENT'S EXHIBIT 6-D FOR ID.

7/15/46

Number 8298

Colonial Securities Co. 29 So. LaSalle St.

Chicago, March 5, 1937—\$1870.00 Pay to the order of First National Bank of Chicago

C331Reg 1,870 Dols 00 Cts.
Colonial Securities Co.

M. Johnson Secy.

Stamp-On reverse side:

To the Continental Illinois National Bank

and Trust Company of Chicago

(2-3) Chicago, Illinois (2-3)
Paid through Chicago Clearing House
430 Mar. 8, 37

To the

First National Bank

Pay to the order of Any Bank or Banker Prior endorsements guaranteed 2-1 First National Bank 2-1 of Chicago, Illinois

Sel (N)	Security	Read _Ba			Purchased Pros			Sales Inouni	Cost
13/80/85	Armour Station Bldg. Corp., ist Stgs. 36 Income Bonds	DL?	Bational	10/21/55	Rogers & Tracy	\$ 500.	15	\$ 75.30 (75.00
W:7/87	•	D52	Lamor	6/28/37	J.R. Wall	500.	25	125.00	125.00
6/11/57	•	811	Hational	0/11/57	Carl Bruckhause	1000.	25	250.30	250.00
10/15/35		M16; D45-4	National S	10/15/37	Selected Investors	2000. La	16.	200.00	200,00
9/21/36	Austin Station Bidg. Corp., lst Wige. 35 Income Bonds	101	Bational	8/30/35	Stein, Brennen & Co.		•	450.50	\$00.30
8/5/36		#301- 302- 305- 304- 305		8/5/38	li Ži de lot	- 5000.	40	2000.00	2000.00
10/10/35	• •		Isouer	10/10/56	W.R. Roga	800.	45	225.00	225.00
8/12/35	Bereyn P.O. Bldg. Corp. lat Wige. 35 Income Bonds	10 10	Mational	8/10/55	Steeless & Birkins		20	400.30	400.00
1/24/38		D9- 50	Hatlone	1/21/38	Berris & Company	1000.	20	200.00	200.00
9/26/39	• •	D15- 16	Issuer	9/26/39	Peni H. Davis & C	1000.	. 26	260.30	200.30

BATTOBAL BEALTY TRUST

SECURITI TRANSACTIONS MY COLONIAL SECURITIES COMPANY with MATIONAL REALTY THOST OF SUBSIDIARIES MAY 24, 1935 to DECEMBER 31, 1941 RANGESD AT COST

	/								
Saler Fale	Security	Bond Je	Sold To	Parchase	Purchased Pres	Par Talus	Sales Price	Sales	
5/24/38	Division & Le	/ergpe							
	Ist Mige. 55	D96- 89	lesser	5/24/38	Hota Floci	£ \$1000.	40	\$ 400.00 (400.00
6/26/39/		D75	Issuer	6/26/39	Doma 3. Seidal	800.	40	200.00	200.00
£/26/39		D107- 108;		6/26/39	Robert & Hary Selds	7 7100-	•	440.00	465.00
				i e	6		/-		
5/27/36	Division & La Ridg. Corp., 2nd Fige. 45 Income Bonds	PLL DLL	Issuer	6/27/36	Pertha Smart	500.	30-1/4	151.24	161.25
12/26/35	• •	D25	Darros- Chairman		P. U. Free	d-500.	80	150.00	150.00
12/16/35	•		1-Darros- - Chaires		A. S. Al- schuler	2500.	30	780.00	780.00
		e de la companya de l							
2/17/57	Grand Rapids P.P. Eldg. Corp. 1st Mtgs. 4% Cum. Income Bo	., 90	Ismer	2/17/57	Defoung, Larson & Tornga	2000.	50	1000.00	1605.60
								. 0	
10/30/35	Los Angeles Service Statis Inc., 1st Htg 3% Income Bond)d,	Rational	10/21/55	Rogers & Treey	500 .	•	40.00	€0.00
4/30/40	• •	D156-	Ismer	4/11/40	Jos. F. Dixon & Co	1000.	15	180.00	180.00

MATIONAL REALTI TRUST

COLONIAL SEMURITIES COMPANY with MATIONAL REALTI TRUST or SUBSIDIARIES May 24, 1935 to December 31, 1941

PARTICIPAL AT COST

				PAR	ded at cos		The State of		1
Sales Date	Secreta	Pond For	دلا ينيد؟		Purchased From	Par Value		Sales Amount	Costa
c/es/s*	O.den Park P.O. Bldg. Cor lst. Stge. 38 Income Bonds				Mrs. A. Schweitzer		30	1 600.00	\$ 600.00
2/25/10		D167	Darros- Chatrman	\$/25/39	Paller, Cruttenden	500. & Co.	21.	105.00	105.00
	Parkview Manor Midg. Co., 1st Stge. 46 Income Bonds	e767	Isauer	5/1/39	Straus Securities Co.		20	20.90	20,00
	S Postal Facil- ities, Inc., lat Brge. 354 Cum.Income Por	1/15		8	Poiney & C	7.			485,00
7/5/39		M136	Issuer	6/6/38	P.F. Pox	1500.	58	580.00	\$60.00
7/5/88		¥416	Teauer	7/5/38	Lilley &	1000.	58	580.00	590.00
7/30/35		745- 61	Issuer	7/29/38	Lilley &	1000.	59 3/4	597.50	597.50
11/1/3		No Recor	Wetlonel d	10/31/38	Josephine Burnelster	500.	.60	500.00	300.00
2,/15,/89		PAI	Issuer	2/3/39	Kesnoth Jeanen	1000.	55	550.30	550.00
1,715/3		¥223	Issuer	2/15/59	3.Johnson	1000.	55	550.00	550.30
2/15/3	• •	D56	Issuer	11/30/50	Jensen	500.	55	275.30	275.00
4/01/4	• •	W273	'Mational	4/24/35	Eliabeth Herovec	1300.	60	100.00	600.00
. 10.14		urca	Wations	10:150	G.Johnson	1300.	03	600.00	600.00

MATIONAL REALTY TRUST

SECURITY TRANSACTIONS BY COLONIAL SECURITIES COMPANY with MATIONAL REALTY TRUST or SUBSIDIARIES MAY 24, 1935 to DECEMBER 31, 1941 HANGLED AT COST

Purchase Purchased Par Sales Sales Sold To Date From Value Price Amount Date_ 6929 B.Clark De29 Issuer 2/15/37 Nickelson \$ 500. 25 £ 125.00 £ 125.00 2/15/35 St. Bldg.Corp., lst Htge. 35 Income Bonds & Co.

12/13/30 6748 Grandon M394- Issuer Ave. Bldg. Corp., 395-384; 1st Mtge. 3g D110-111 Income Bonds 1000.00 1000.00 12/5/38 Catherine 4000. 25 Riggins

TOTAL PAR VALUS \$42,200.00

TOTAL COST \$15,265.75

MATIONAL REALTY TRUST GROUP

FURCHASE AND SALES BY COLONIAL SECURITIES' COMPANY WHERE SELLING PRICE WAS LESS THAN COST

Security Transactions by Colonial Securities Company with Bational Bealty Trust or Subsidiaries—May 24, 1955 to December 51, 1941s

									8	foresee between Cost and
Date:	Security	Bond Bo.		Purchase	Purchased	Yalue	Price	Amount	The second second	Prine Prine
9/26/36	Grand Rapids P.P.Bldg. Cor let htgs. 45 Cum.Income Bo	p. D15		9/24/38	Capib .	\$2000.	53	\$1000.00	\$1160.00	\$160.30
12/15/50	Postal Facil- ities, Inc., lat htge. 5g5 Oun.Income Bo		Issuer	12/16/58	Gorge Gaine	500.	55	275.00	280.00	5.00
9/16/37	Windsor Shore BldgCorp., 1st Mtge. 54 Income Bonds	D154-	Ismer	7/2/87	AG GOT	1990.	25	257.00	400.00	150.00
Purchase	A Sales by Co	lonial	Securit	Les Compan	yr					
7/1/56	instin Sta- tion Bldg Corp., 1st Ht SK Income Box	50. \	C.Juliya am	- s/21/36	Plora Kulp	500.		250,00	/800.00	\$0.00
3/51/50	Bereyn P.O. Eldg. Corp., 2nd Rige. 25 Income Bonds	pls	li Lovy	6/1/51	Loolie Barsbell	500 .	1	78.00	455.00	360.00
10/14/86	Postal Pacil- itios, Inc., let Hige. 36 Cum. Incope Bo		G. P. Lyle 4	10/16/3 Co.	& A. Hickor	1000.		47.50	803.00	92.50
Jacob Es	lpt \		1	1					1	1
4/25/39	Ogden Park P.O. Bldg., let Htgs. bes	356-55	Iomer 0	4/25/30	E. H. Senthoff	8000.		1020.00	1200.00	180.00

PURCHASE AND SALES BY COLONIAL SHOURITIES COMPANY WHERE SALLING PRICE RAS LASS THAN COMP

Security Transactions by Colonial Securities Company with Matienal Realty Trust or Subsidiaries—May 24, 1935 to Lecember 31, 1941:

	/2-0									(former between
Sales Date	Security	Bond _Bo.	Sold Ze	Purchase	Purchased From		Sales Eries	Sales Annai	1	Cook and Polling Price
	Grand Rapids P.P. dlig. Cor lat Mige. 45 Com. Income Bo	p. D16-		9/24/38	Daly & Creib	\$2000.		\$1600.00 A	1100.00	\$160.00
12/14/20	Postal Facil- ities, Inc., lat bigs. 545 Oun.Income Bo		[eauer	12/16/39	George Conine	500.		275.00	800.00	5.00
9/16/87	Stader Shore Side Corp., let Etge. 34 incore Souda		lemer	1/2/51	wag (600	1000.	2.5	280.00	400.00	150.00
Purchase	4 Sales by Co	lonial	Securiti	es Concen	,					
7/1/86	Austin ta- tion Blug. Corp., 1st Pt 36 Incore Bon	49.	Julius-	3/1186	riora Aulp	b m.		255.00	800.00	so.œ ⊲
3/31/39	Bereys P.O. Blog. Corp., and Btgs. 25 Iscome Bonda	Lls &	. Levy	6/7/37	Loslio Ears: all	ຜ າ.		75.00	455.30	\$60.00
12/16/56	Postal Facil- ities, Inc., lst Fige. Sgi Cum.Income Bo		G. P. Lyle 4 C		A. Bickos	1000.		417.60	80 7.00	•2.50
Jacob Eu	121	-					4			
4/25/39	Ogsen Park P.O. Bldg., lat Mtge. bon	356- 339	esuer	4/25/30	B. W. Sauthoff	30 00.		1020.00	1200.00	160.00

BATIONAL REALTI THOSE GROUP

POACHASE AND SALES BY COLORIAL SECURITIES CLATARY

Security Transactions by Colonial Securities Company with Mational Realty Trust or Subsidiaries—May 24, 1955 to Locember 31, 1941s

Sales late	Security	Sond Lies		Puretsee	Purehased	Per Yolus		Seiss		Iference between Cost and Selling Price
0/26/56	Grand Maples P.P. 31 ig. Cor lat high. 4f Que. Income 3o	p. Els	10mm -16	v/k4/36	Daly & Graib	aron.	s	11000.00	#11 60. 00	ະເຕ.ລ
	Postal facil- ities, anc., lat ktgs. igt Qua.lacone Ho		Tomor .	12/15/59	George Conine	300 .	55	275.00	297. 30	5.33
	Stausor shore Slag. Corp., latitge. 35 Income Sonds	155	Issuer	7/2/57	-4g ws	1990.	S	:50:00	400.70	157.77
Puretass	4 Jales by Co	lonial	Securiti	es Com any	n · /					1
	Austin Sta- tio: Blug. Corp., lst Mt. Scinorce Bon	٥٠.	.Julius	5/A/86	plora audij	5 07.		E50.00	307.00	⊌ ∩.??
5/51/39	Bereyn P.O. Bing. Sorp., ind Ktge. if Income Bonds	، داد	Lovy	3/7/37	Losite Scretabl	S 27.		75.70	455.70	\$#0.00
	Postal Feeli- ities, Inc., lst Ttes. 346 Cum. Income Bo		G. P. Lyle & (. Elckos	1000.		417.52	\$22.00	92,60
Jecob Kul	lpt .			V						
	Ogden Park P.O. Plage, Lat atge. bon	356-33	8	4/25/30	H. h. Sauthoff.	3000.		1027.00	1200.30	193.00

PEDERAL FACILITIES REALIT THIST

SACURITY TRANSACTIONS BY
COLONIAL SECURITIES COMPANY with Fabrical Facilities Reality Troops or Subsidiaries
RAI 24, 1955 to December 31, 1941
RAILLED 37 COST

Sales	Security	Boad So	14.70	Purchase	Purebased	Par Value	Price .	Salve Anount	Coas
9/19/35	Chicago P.O. Service Bldg. Corp., 1st Mtge. 56 Dum. Income Bonds		ever	8/8/35	Frances L.	;1000 .	•	2 *******	t 639.30
10/10/38	•	159-160		10/10/35	Stein, Brennen 4 Co.	5000.	39-1/2	1185.00	1105.00
11/6/35	•	1740 P		11/8/55	Stein, Brennen 4 Co.	1990.	59-1/2	395.20	595.00
11/0/55	• •	1741- F	derei	11/6/35	Stein, Brennen & Co.	2000.	59-1/2	700.00	790.20
11/8/35		325 F	derel	10/10/35	Stein, Brennan & Co.	500.	59-1/2	197.80	197.80
1/20/56		682-48 682-48	.	1/22/36	Enceland & Company	5000.	36-5/4	1037.50	1837.50
7/2/37	• •	1721- I	TOUR	7/2/37	Gertrude Gredelph	2000.	35	700.00	700.00
7/2/87		879- I 79-178-		1/2/57	Catherine Steen	4000.	35	1400.00	1400.00
12/20/37	• •	9248- I 249-25	esper	12/20/37	Doyle,	3000. Co.	51-1/2	945.00	945.00
2/16/38		no t	emer.	1/25/59	G. L. Ohrstron &		31-1/2	157.50	157.50
6/8/30		#302- I 303-30 305-30	4	6/9/50	7. F. FOE & Co.	5000.	23-1/2	1175.00	1175.00

12/26/55 • US-4- Temper 12/6/55 Cethorine 3000. 30 \$00.00 600.00

COLONIAL SCORITIES COMPANY with PADERAL PACIFITIES REALTY THEST OF SUBSIDIARIES MAY 20, 1935 to DECEMBER SI, 1941 RANGED AT COST

54100	Security	Bond _Bon	Sold To	Purchase	Purchased From	Per Yalus	Sales Price	Sales Amount	Ceal
10/16/87	Chicago ?.O. Service Bldg. Corp., 2nd Hige. 45 Income Bonds	#51- 55	I and	10/10/57	Selected Investa int	\$2000.	20	f 430.50	f 400.90
1/14/20	•	D57	Legier	8/9/39	T.R.Valle	500.	10	50.00	\$0.00
	**				0.				
9/5/37	Columbus P.P. Slug., Inc., lat high. 625 Income Bonds		Pederal	8/16/57	Pearl Bernstein	1000.	65	850.00	650.00
2/0/37		34.75	Darros- Chalrens		G.P.Lyle	500.	75	575.0 0	875.00
					. •				G
M/2M/56	Irving Park P.O. Blag. Corp let Hige. 35 Income Bonds	., 108	Pederal	5/25/38	Catherine A. Higgin	1000.	30	\$00.00	900.00
0/20/30	Belialey Pari		Lumer	8/25/38	Theo.Back	1000.	23-1/	ź 25 8.0 0	235.00
2/2/30	35 Income Ros		lemer	2/3/30	Lucy W. Blokeless		82-1/	2 162.50	162.50

COLORIAL SACURITIES COMPART with FADERAL FACILITIES REALITY TRUST OF SUBSILIARIES MAY 24, 1985 to EXCAMBLE 31, 1941 RABILED AT COST

Sales Date	Security	Bond _Bo.	3014.70	Purebase	- Iron	4 Par	Sales:	Sales	Coat
11/27/86	Post Station, Inc., 1st hts 85 Cun. Incom Bonds	Jo	Derros- Chairman	11/27/6	tneeland & Co.	\$1000.	28-1/4	1 202.50	8 282.60
7/28/37		MS1 2	Tamer.	7/20/87	Encel and	1000		850.00	330.00
1				17 207 61	& Co.	1000.	••	•	• ••••
3/15/30		E193- 252		3/17/38	Louis W.	2000.	76	800.00	\$00,00
					• **				•
			9).	,		*			
4/23/57	Perry Station P.O., Inc., let htge: 35 Oun.Income Bo	602-	-801-	A/22/57	Dempsey, Tegaler &	5000. Co.	80	1000.00	1000.00
12/1/57	•	M463	Issuer	41210	Berbert S. Greene & C		3	280.00	20:00
4/5/36	•	146- 47	Tomer '	442	Lilley & Company	2000.	29-1/2	550.00	580.70
6/26/39	10	C32	Issuer	6/15/39	Olasted Bros.	100.	25	25.00	25.00
7/27/30	•	046	Issuer	7/27/39	Herbert &. Greens & O		28	25.00	25.00
3/12/86	• • •	117	Federal'	5/11/36	Incolend & Co.	1000.	23-1/4	232.50	232.50
11/10/80		435-	Rerbert L. Green & Co.	11/10/59	Pederal	4000.	27-1/4	1090.00	1060.00
9/14/35	• •	C187	Federal	9/12/55	Kaseland	100.	10 .	10.00	10.00
9/14/55	•	#35	Federal	9/17/55	Hartley Nogers & Co		19	190.00	190.00

PADERAL PARTLETTES REALTY THE

COLORIAL SACURITIES COMPANY with FEDERAL PACIFITIES REALTY TROOP or ADMILITARIES MAY 24, 1985 to Decimber St, 1941

Sal so	Secretar	Post Jes	طهد		Purchased Pres	Par Talua		Sales	العدا
12/11/35	Culmey Station P.C.Sldg.Gor- let atgs. 55 Cun.Imesse Bos	136- 539	Derros- Chairses	12/20/34	Encolund B Co.	13000.	86-1/8	\$1065.00	\$10 65.0 0
/27/57	•	¥374	Loquer	9/20/57	Nason Bros	.1000.	43-1/2	455.00	436.00
3/4/57		136-30 392		10/4/37	Serbort &. Greens A C		4-1/4	1750.00	1780.00
13/5/57	•	8287- 528	Ismor	10/5/57	brs. Letti Mute	2000.	4	900.00	800.00
0/14/37	• /:	229-	Issuer	10/1487	Hinnie Garaung	2000.	45	900.00	200.00
15/26/37		H353-	1 mor	10/26/37	Herbert E. Greene 4 C		45	860.00	960.00
1/10/39	<u>/ • 1 • • </u>	LZI	lower	1/18/36	Rebessa Jilbert	500.	45-1/2	227.50	217.50
4/20/38		278; 278; 257-1			Rerbert a. Greens t C		42-1/2	1278.00	1275.00
2/3/57	winey Statio		Issuer	9/0/57	Priscilla Mays	200.	85	70,00	70.0

C/10/39 South Side P.O. B192 Federal 2/10/39 M.B.Barris 1000. 40 400.00 400.00 Serv.Blug.Corp., lat bigs. 36 Income Bonds

2/14/59 . . C49_ Issuer 2/14/59 b. E. 200. 40 / , 80.00 80.00

COLUMNAL SECURITIES COMPANY with Falland FACILITIES REALTY TRUST OF SUBSIGNARIES MAY 24, 1955 to Decimber 31, 1941

BANDED AT COST

Sales inte	Security	Bood Bea	Solu To		Purchased		Sales American	Carri
12/18/30	South Side !	.O. 1149	Federal			A THE REAL PROPERTY.	416.00	
	Ist atga. B	•		•				1

\$/11/57	Teaty-Secon	4 157	Is mer	3/9/37	Palter P.	500. 18	20.00	90.00
	St. Station	20 C 15 1 1 1 1			Leaby & Co.			rs
	lot bego. 31							
yadda -	Income Bonds							
11/30/37	•	275	Federal	3/30/37	Doyle, O'Conner &	1000. 21	210.00	210.00

9/10/57	United States Blag. Corp., let htgs. Sg Income Bands	177- Issuer 6/24/35 178	Cornell 200. 2 Schroeder & Co.	0 40.00 40.00
0/10/37	•	360 Ioner 4/14/57	Edward D. 500. 1 Jesses & Co.	
1/26/37	a	98- Darros- 9/11/37 98-97 Chairses	Torin	
\$/10/57		410- Ismer > \$/10/88 411-412- 413-414- 413-416-417	Benk of Chicago	
x/6/50		200- Issuer 2/6/36 320-462	R. L. 2000. I Robinson, Trustes	0 00.00 00.00

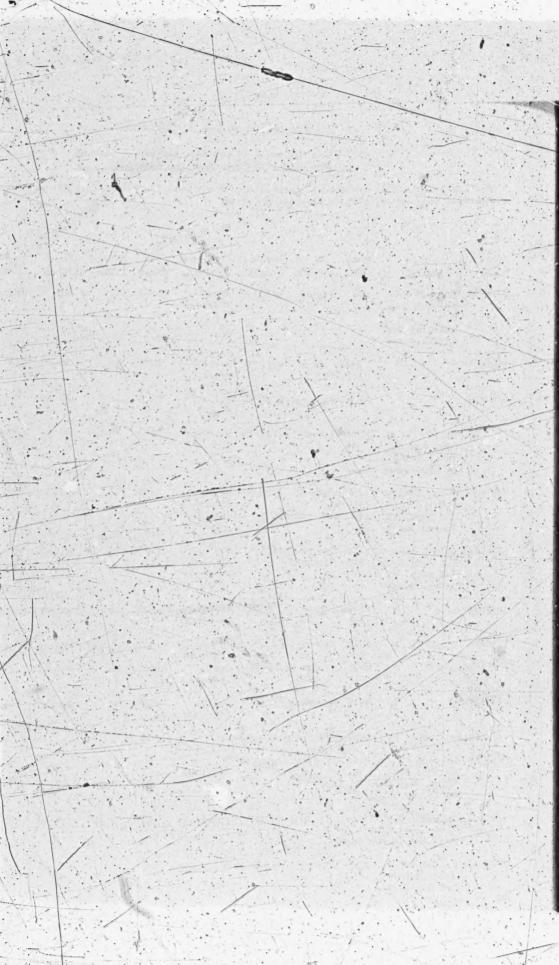
9/29/57 Ville Bldg.Corp. 41 Federal 9/24/37 Regers & 500. 6 20:00 . 20:00 . 20:00

TOTAL PAR VALTE 194, 300.00

PURCHASE AND SAMES BY COMPANY SECURISE COMPANY - SHARE SOLUTION PLICE HAS LESS THAN COST

Security Indisactions by Colonial Securities Company with Federal Facilities Pealty Trust or Submidiaries -- ayede, 1955 to December 51, 1961s

								*		forence
Seles,	Security	Bond No.	4	Purchase Late	Purchased			Eal or		oot ar
2/14/28	Chicago P.O. Service Blug. Corp., 1st stge. 54 Cum. Income Bonds	boo '	Losuer	£/11/\$\$	Anna Rjorkeet			e 3.0.00	۰۰ فص.۵۰	12.
2/14/36		-456-		2/11/38	merio Relah	5000.	40	1170.00	1800.00	30./
1/10/1E	b	¥708	/odera	1 8/30/36	Puller, Rosney + C		36-1/1	, 380.00	565.00	3.
7/22/35	ballas Parcel Post Station, Inc., 1st htge Sg Gum. Income		Locus	11/27/56	Inceland t Co.	1930.	29-1/4	£70.00	rr2.50	12.
	Ferry Station P.O., Inc., 2nd htgs. 15 Income Bonds	191-2	26-		arickson, Sichole t Robbine, I		7-1/2	. ศ. 5ว.	162,50	17
10/17/85	Quincy Station P.O. Bldg. Corp. let htge, 55 G Income Bonds	. 692	Darros- Chalre	10/19/35/	Stein, Brennen v	2303. 66.	40-3/4	785,00	*15.00	60.
10/7/88	•	1798- 861	Lemor	10/9/36	Carlyle Mutechler	2000.	52	1000.00	1040.00	40.
7/10/57	• \$ \ •	K425	Issuer	6/9/57 4	arie Walsh	1000.	51-1/2	460.00	515.00	65.
10/11/37		k128	Leguer	10/13/37	Stein, Brennen &	1000.	44	430.00	440.00	10.
10/28/37				10/26/87	Loyle, O'Connor 2	1000. Co.	44	429.00	440.00	u.
A Second	ee & Sales by G	31/11	100				1			
•/a/ a	Chicago P.O. Service Bldg. Corp., 2nd htg 45 Income Bond	20	E. Levy	5/451	J. J. Schaefer	200.	6	*0.00	130.50	99.
0/13/36	Columbus P.P. Bldg., Inc., la Stgo. 65 Incom		1 4	11 6/15/35	H. John son	500.		270.00	275.30	>•
\$/31/30	Inline P.P. Station, Inc., End Stge. 25 Income Sonds	B55	N.Lovy	10/29/54	B.F. Gentry	1000.		\$33.30	\$10,00	son.
7/18/36	Ferry Station P.J., Inc., 2nd 15 Income Bonds	utgo.	8. Tale	10/20/54	8.7.6mtr	y 500.		185.00	262.50	157. 433



RESPONDENT'S EXHIBIT 3

Copy

MANUFACTURERS TRUST COMPANY 131 East 23rd Street corner Lexington Ave. New York, N. Y.

June 2nd, 1930

Mr. Joseph Baumann, 553—6th Avenue, New York, N. Y.

Dear Sir:

We herewith acknowledge receipt of the following securities received this date:

50 Shs. Anaconda Copper 200 Andes Copper Consolidated Gas Co. 100 Electric Bond & Share 50 100 General Motors 50 Goldman Sachs Trading Corp. Kennecott Copper 100 25 Pullman Corporation 300 Radio Corporation 66 116 Standard Oil of Indiana . 4 6 100 Texas Gulf 120 Tri Continental 55 United Gas Impt. Utility Power & Light "A" 105 Erie Railroad 50

\$5000.00 City of Tokyo 5000.00 Park Lexington 3000.00 Realty Associates 3000.00 Remington Rande W. W. 10000.00 Republic of Chile

5000.00 Tokyo Electric Light
5000.00 Republic of Columbia
6M 7000.00 United Steel Works Corp. "C" (1M

called and cashed—see deposit 6/

3000.00 United Steel Works Corp. "A" 5000.00 General Electric of Germany 1000.00 Southern Railway "A"

> Yours very truly George Peters

I, Joseph Baumann hereby certify that this is an exact copy of receipt given to me by the Manufacturers Trust Company at the time I made the loan to Jacob Kulp & Company.

Joseph Baumann Sworn to before me this 29th day of November 1946.

Albert B. Leffler
Albert B. Leffler
Notary Public, New York County
N. Y. Co. Clks. No. 66, Reg. No. 332-L-8
Certificate filed in Bronx County
Bronx Co. Clks. No. 8, Reg. No. 135-L-8
Commission Expires March 30, 1948



1930	JA	/ .	to PH BAU	MANN	. 0			6/2/30 to 6, note in Va	
June 2			17 17	\$80,000.00	193				
	mos. int.	2 50	- 1		July	11	Principal		\$5000.00
Oct. 1 4	mos int	5 500	7034	1,355.56	- 1		Int. 1 mo. to	7/2-5%	333.33
000. 1 4	mos. me. @	9 5% on	TUM	1,195.83		16		4 4	5.56
		1000			Aug.	12	Principal		5000.00
1931			1 4 4 7 1		2 4 10		Int. 80M-5%		133.33
			2034	T.		2		7/14-8/13	312.50
Feb. 1 4	mos. int. @	0 5% on	70M	1,166.67	4		70M-5%	8/13/30-5/1/31	2537.50
June 1 4	mos. int. @	076 on	TOM	1,186.11				1	
Oct. 1 4	mos. int. @	0% on	DDM	939.59	193				
1			1		June	26	Principal		15000.00
	1000						Int. on 70M-		
1 2 / 1			1				5/1/31-6/20		544.44
THE RESTORY			1	- Companyone	Oct.	. 3		from 5/1/31-	
A							10/1/31		1180.55
					Dec.	3		from 10/1/31-	
		4	/ /		1	- 4	12/1/31	1	458.33
The state of		1	100		193	_			
					Feb.	1		from 12/1/31-	
The first of					11 8		1/31/32		559.16 4
					Apr.	2	Int. 55M-6%	from 2/1-4/1	550.00,
			e a s		June	2	Principal	and the state of t	2500.00
				M.	44	.2	Int. 55-M-6%	from 4/1-6/1	550.00
	,		1 . A. W.		Aug.	2		from 6/1-8/1	525.00 •
		44				- 4	Principal		2000.00
		1000		4	Sept.	12	Principal		500.00
					Oct.	2	Int. 8/1-10/1		505.00
			•	4	Dec.		Int. 10/1-12/1		500.00
			100	1	193	-			
we of					Feb.	2	Int. 12/1- 2/1		500.00
					Apr.		" 2/1- 4/1		500.00
		1			June		" 4/1- 6/1	45.4	500.00
		. ,			Aug.	2	0/1- 8/1		500,00
		/			Oct.	16	8/1-10/1		500.00
		/	1	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Dec.	4	" 10/1-12/1		500.00
	4			•	193	1/20			
- 7		1				17	Int. 12/1- 2/1	· · · · · · · · · · · · · · · · · · ·	500.00
1					Mar.	12	" 2/1- 3/1		250.00
					May	21	" 3/1- 5/1		500.00
And Garage		2009	2.			25	5/1-7/1	1 1 1 1 1 1 1 1	500.00
1		187 .		12	Aug.		7/1-8/1		250.00
1	. 33	1	111	A MET A	Oct.		0/1-10/1		500.00
1 1 1 1 1 1 1 1	1					22.	" 10/1-11/1		250.00
	139				Dec.		" 11/1-12/1	1	250.00
			1100 7		193			Say W.	/
		4.3			Feb.	15	" 12/1- 3/1		
7-11-47	1		11.5%				\$100. on a/c l	uar.	900.00

I, Joseph Baumann, hereby certify that this is an exact copy of my ledger sheet of the account of Jacob Kulp & Company Dr., to Joseph

Joseph Baumann

Joseph Baumann
Sworn to before me this 29th day of November 1946.

Albert B. Leffler
Albert B. Leffler
Notary Public, New York County
N. Y. Co. Clks. No. 66, Reg. No. 322-L-8
Certificate filed in Bronx County
Bronx Co. Clks. No. 8, Reg. No. 135-L-8
Commission Expires March 30, 1948

436

RESPONDENT'S EXHIBIT 14.

\$50,000.00

Chicago, Ill. November 1, 1937

On demand after date I promise to pay to the order of Joseph Baumann Fifty Thousand and \$00/100 Dollars at New York, New York.

Value received with interest at the rate of six per

cent per annum.

Jacob Kulp

Reverse side:

This note is given in lieu of endorsement covering note of Jacob Kulp & Co., dated June 2, 1930, on which unpaid balance is \$50,000. The collateral to said Jacob Kulp & Co. note to be held in connection with this note.

Jacob Kulp

No Int. paid since 3/1/35

437

RESPONDENT'S EXHIBIT 15.

Oct. 21, 1937

Mr. Jacob Kulp 6856 South Shore Drive Chicago, Ill.

Dear Uncle Jack:

As the note I hold of yours is about to expire, would ask you to kindly mail me a new note on receipt of this matter.

No need of writing you any news, as Mozette keeps you posted. All I can say is that business has been very quiet and anything but satisfactory.

Trusting this finds you in good health, and with kindest

regards, I remain,

JB:MA

Resp. Ex. 16 JACOB KULP & COMPANY De to

		JOSE	PH BA	UM	ANN		
11/1/37	New note in vault for 50M—signed by J	K				6/2/30 to 6/21 note in Vault	/31
1930		. /	193	0			
June 2		80,000.	July	11 3	Principal .		,000.
	4 mos. Int @ 5%	1,355.56	July		Int. lmo, to 7/2-5%		
Oct. 1	4 mos. Int. @ 5%	1,000.00		16	11 11 11 11 11		333.33 5.56
	on 70 M	1,195.83	Aug.		Principal		,000.
		-,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	and.		Int. 80M-5% 7/2-7		133.33
1931			1/10		" 75M-5% 7/14-8		312.50
Feb. 1	4 mos. Int. @ 5%		/		" 70M-5% from	10	312.00
	on 70 M ?	1,166.67			8/13/30-5/1/31		,537.50
June 1	4 mos. Int. @ 5%	2,200.03			0/10/00-0/1/01	•	,001.00
	on 70 M	1,186.11	193	1	Principal	15	,000.
Oct. 1	4 mos. Int. @ 5%	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,			Int. 70M-5% from	10	,000.
	on 55 M	939.59	.4.6		5/1/31-6/26-31		544.44
			Oct.	3	Int. 55M-5% from		933.33
					-5/1/31-10/1/31		180.55
,			Dec.	3	Int. 55M-5% from		100.00
		A			10/1/31-12/1/31		458.33
		21.00	193	2			400.00
100			Feb.	1	Int. 55M-6% from		
				1	12/1/31-1/31/32		559.16
		31	Apr.	2	Int. 55M-6% from		003.10
			1		2/1-4/1		550.
	= 0		Jun.	2	Principal		500.
- *		1	1932	_		-	500.
	/		June	2	Int. 55M-6% from		1
				-	4/1-6/1		550.00
			Aug.	2	Int. 52500-6% from		00.00
		N. Carlotte			6/1-8/1		525.00
					Principal		000.00
			Sept.	12	4		500.
		7 \	Oct.		Int. 8/1-10/1		505.
	4		Dec.	10	" 10/1-12/1		500.
			1933				000.
			Feb.	9	" 12/1- 2/1		500.
	/		Apr.	2	" 2/1- 4/1		500.
•	· James 1			12	" 4/1-6/1		500.
		/		2	" 6/18/1		500.
				16	" 8/1-10/1		500.
	1		Dec.	4	" 10/1-12/1		500.
11 1 1			1934		/ .		000.
1 5	/		-	17	" - 12/1-/2/1		500.
1 /		A 4	Mar.		" 2/1- 3/1		250.
/	3. /		-	21	" 3/1- 5/1 ;		500.
				25	" 5/1- 7/1		500.
				21	" 7/1- 8/1		250.
4.			Oct.	6	" 8/1-10/1		500.
				22	" 10/1-11/1		250.
			Dec.	8	" 11/1-12/1		250.
			193				/
				15	Int. 12/1-3/1	k legel	
/	3						

440

RESPONDENT'S EXHIBIT 17

JACOB KULP 100 West Monroe Street Chicago

Dearborn 8666

October 26, 1937

Dear Joe:

I have your letter of October 21st, and note your statement about the note expiring. I am unable to understand just what you have reference to, as I do not believe there

has been any change in the note.

In view of the fact that a new note could not be signed by Jacob Kulp & Co., due to the bankruptcy proceedings, I do not believe it would be advisable to make a change in the note you have which bears my personal endorsement. Of course, you have the stock of the National Realty Trust as collateral which, in my opinion, has greatly improved during the past few years since so many of the companies have been reorganized on such a favorable basis and the ownership of the equity, which is represented by the National Realty Trust, has enhanced in value.

I can, of course, give you a new note signed by me only but, as stated above, I do not believe that would be advisable until the Jacob Kulp & Co. bankruptcy is com-

pleted.

I understand the furniture business has been quiet, which, I believe is, likewise, true of many other businesses and, of course, the national and international situation, as well as the securities market, have not helped that situation any.

I trust that this letter finds you real well and with

best wishes, I am,

Sincercly, Uncle Jack

Mr. Jos. Baumann, S. Baumann & Bros., 553 Sixth Avenue at 15th Street, New York, New York.

RESPONDENT'S EXHIBIT 18

Oct. 28, 1937.

Mr. Jacob Kulp 100 West Monroe St. Chicago, Ill.

Dear Uncle Jack:

I have your letter of the 26th and contents carefully noted. Nevertheless, I would like to keep my records intact and therefore think that if you will kindly mail me your personal note, I will attach it to the original signed by Jacob Kulp & Co. to complete my files. It is necessary according to the New York State laws, to renew notes periodically and therefore think it advisable for me to have your personal note in my files.

You are right when you say that the furniture business is quiet. In fact, this is the quietest fall we have experienced in our career and from the reports of the different manufacturers' representatives, the business out of town is not keeping the factories running full time as in the past.

al hope you are well, as well as the rest of the family, and with kindest regards from all, I remain,
Sincerely.

JB:MA

442

RESPONDENT'S EXHIBIT 19.

JACOB KULP 100 West Monroe Street Chicago

Dearborn 8666

November 1, 1937.

Dear Joe:

I have your letter of October 28th and, of course, want you to have a note which will comply with the laws of your state.

I am enclosing a note for \$50,000, being the unpaid balance of the principal of the Jacob Kulp & Co. note, which note you are to hold in addition to the one which you now have and substitutions for my endorsement on the Jacob Kulp & Co. note without any charge, however, of the collateral to the note which you now hold.

. I am sorry to note that your business is so quiet. Maybe if we get this political situation settled, business

people will have some confidence and they will help restore conditions I think more than anything else.

I am pleased to report that I am well which is, like-

wise, true of the rest of the family.

With kind regards, I am,

Sincerely. (Signed) Uncle Jack

Mr. Joseph Baumann, S. Baumann & Bros., 553 Sixth Avenue at 15th Street. New York, New York.

443

RESPONDENT'E EXHIBIT 20

S. BAUMANN & BRO. Home Furnishers Since 1854 3144-8 3rd Avenue Bronx, N. Y.

December 15th, 1945.

Miss Myrtle Johnson, 100 West Monroe St., Chicago, Illinois.

Dear Miss Johnson,

As I am leaving Mr. Baumann's employ today, he has asked me to again write you in reference to Mr. Kulp's loan. All that he is asking for is a new note and he cannot see why this will have any bearing on the cases of the Federal Facilities and the National Realty Trust. It just means extending the old note which Mr. J. B. now now holds, as this is a matter between them, to keep the note in force, he could have the endorsement of Jacob Kulp & Co. attached thereto at a later date.

As yet the check for the interest due on December 15th, on the Park View Manor Bonds has not been received, but

trust same will follow shortly.

In the future, kindly address all communications to Mr. J. B. personally at the above address. Any personal correspondence should be addressed to me at 11 West 14th Street, New York, 11, N. Y.

> Sincerely. Ann Bautrop

Since 1845-"The Friendly Credit Store" Third & Block Aves. Third Avenue At 160th Street At 84th Street

RESPONDENT'S EXHIBIT 21

December 20, 1945.

Mr. Jacob Baumann 3144—3rd Avenue Bronx, New York

Dear Joe:

Answering the letter received from your secretary dated December 15, 1945, it appears that you have evidently overlooked the fact that Jacob Kulp & Company went

through bankruptcy and that estate was closed.
With respect to the note dated June 2, 1930 for the original principal sum of \$80,000.00 less prepayments and interest that have been made since that date, this letter. is intended to acknowledge my continued liability for the balance of the indebtedness evidenced by said note plus accrued interest in accordance with the terms of said note, subject, of course, to such credits as may accrue on account of the ultimate sale, liquidation or other disposition of the securities that are held as collateral to the payment of said note.

You are likewise authorized to accept this letter in the nature of a renewal as well as a ratification by me of my continued liability on the said note with equal effect as if I had executed a new renewal note. I am advised that under the circumstances it is best that you retain the note in its original form and that you hold this letter as evi-

dence of my intention herein expressed. Very truly yours.

JK:MB

445

RESPONDENT'S EXHIBIT 22

May 22, 1946

Mr. Joseph Baumann 1479 Third Avenue New York, New York

Dear Joe:

I am enclosing two claim forms, one in the National Realty Trust and one in the Federal Facilities Realty Trust covering accounts which were purchased in the Jacob Kulp & Company bankruptcy matter in 1936, both of which are to be signed by you and returned to me in

the enclosed self-addressed envelope as I want to file the one in the National Realty Trust on Saturday. The claim covering the shares will be signed by Jacob Kulp since they are still in his name and pledged with you as collateral.

I will keep you advised of any progress made in these reorganizations so that you will have full data on same.

With kind personal regards to all, I am, Very truly yours,

MJ:MB

446 RESPONDENT'S EXHIBIT 41

Chicago, Ill. Oct. 29, 1935-\$2025.00

On demand after date, the undersigned promises to pay to The National Bank of Chicago or its order, at the office of The First National Bank of Chicago in the City of Chicago, for value received Two Thousand Twenty-five Dollars, with interest thereon from Oct. 29, 1935 until paid at the rate of per cent, per annum.

To secure the payment of this note, and of any other liability or liabilities of the undersigned to the holder hereof, due to become due, or that may be hereafter contracted or existing, howsoever acquired, by said holder, the undersigned has transferred, pledged and delivered to The First National Bank of Chicago the following property, to-wit:

\$3,000—New York Railway Corp. 6% 1/1/65. (the market value of which is today \$.....) and now agrees that upon breach of any of the promises herein contained or upon failure to pay any of said other liabilities when due said Bank or the holder hereof may thereupon, or at any time or times thereafter, sell the said property or any part thereof, and any substitute therefor and any additions thereto, at any Brokers' Board, or at public or private sale, without notice, advertisement, or demand of any kind, and may apply the net proceeds after deducting all costs and expenses for collection, sale, and delivery, to the payment of this note or of any or all of said liabilities, returning the residue to the undersigned on demand. Said Bank or the holder hereof may purchase any of said property at any such Brokers' Board or public sale. In case of decline in the market value of said property or any part thereof, the holder hereof may demand the pledge and delivery of additional property of quality and amount satisfactory to said holder; and the failure on the part of the undersigned to deliver such additional property on demand shall cause this note to become due and payable on demand. In case of the insolvency of the undersigned, any indebtedness due from the holder hereof to the undersigned may be appropriated and applied hereon at any time, as well before as after the maturity hereof.

Paul E. Darrow Room 1807—100 W. Monroe St. Chicago

Paid Sept. 9, 1937. Discount Department First National Bank, Chicago.

The undersigned hereby guarantee the payment of the within note. Presentment demand, and notice waived.

Interest paid to Nov 25 1935 Interest paid to Dec 25 1935 Interest paid to Jan 25 1936 Interest paid to Feb 25. 1936 Interest paid to Mar 25 1936 25 Interest paid to Apr 1936 Interest paid to May 25 1936 Interest paid to Jun 25 1936 Interest paid to Jul 25 1936 Interest paid to Aug 25 1936 Interest paid to Sep 25 1936 Interest paid to Oct 25 1936 Interest paid to Nov 25 1936 Interest paid to Dec 25 1936 Interest paid to 25 Jan 1937 Interest paid to Feb 25 1937 Interest paid to Mar 25 1937 Interest paid to Apr 25 1937 Interest paid to May 25 1937 Interest paid to Jun 25 1937 Interest paid to Jul 25 1937 Interest paid to Aug 25 1937 Paid May 6 1936 1352.50 Paid Sep 10 1937 672,50

447

RESPONDENT'S EXHIBIT 2

Chicago, Ill. Nov. 12, 1935-\$6837.50

11296

On demand after date, the undersigned promises to pay to The First National Bank of Chicago or its order, at the toffice of The First National Bank of Chicago in the City of Chicago, for value received Sixty-eight Hundred Thirtyseven and 50/100 Dollars, with interest thereon from Nov. 12, 1935 until paid at the rate of 4 per cent, per annum.

To secure the payment of this note, and of any other liability or liabilities of the undersigned to the holder hereof, due or to become due, or that may be hereafter contracted or existing, howsoever acquired by said holder, the undersigned has transferred, pledged and delivered to The First National Bank of Chicago the following property, to wit:

\$10,000—Internati Rys of Central America 1st 61/2—

2/1/47

2,000 Unione Esperciji Elettric 1st 7% 12/1/56

And other securities heretofore deposited (the market value of which is today \$......) and now agrees that upon breach of any of the promises herein contained or upon failure to pay any of said other lia- . bilities when due said Bank or the holder hereof may thereupon, or at any time or times thereafter, sell the said property or any part thereof, and any substitute therefor and any additions thereto at any Brokers' Board, or at public or private sale, without notice, advertisement, or demand of any kind, and may apply the net proceeds, after deducting all costs and expenses for collection, sale, and delivery, to the payment of this note or of any or all of said liabilities, returning the residue to the undersigned. Said Bank or the holder hereof may purchase any of said property at any such Brokers' Board or public sale. In case of decline in the market value of said property or any part thereof, the holder hereof may demand the pledge and delivery of additional property of quality and amount satisfactory to said holder; and the failure on the part of the undersigned to deliver such additional property on demand shall cause this note to become due and payable on demand. In case of the insolvency of the undersigned, any indebtedness due from the holder hereof

to the undersigned may be appropriate and applied herein at any time, as well before as after the maturity hereof.

Paul E. Darrow

Room 1807-100 W. Monroe St

Chicago, Illinois

The undersigned hereby guarantee the payment of the within note. Presentment demand, and notice waived.

Interest paid to Nov 25 1935 Interest paid to Dec 25 1935 Interest paid to Jan 25 1936 Interest paid to Feb 25 1936 Interest paid to Mar 25 1936 Interest paid to Apr 25 1936 Interest paid to May 25 1936 Interest paid to Jun 25 1936 Interest paid to Jul 25 1936 Interest paid to Aug 25 1936 Interest paid to Sep 25 1936 Interest paid to Oct 25 1936 Interest paid to Nov 25 1936 Interest paid to Dec 25 1936 Interest paid to Jan 25 1937 Interest paid to Feb 25 1937 Interest paid to Mar 25 1937 Interest paid to Apr 25 1937 Interest paid to May 25 1937 Interest paid to Jun 25 1937 Interest paid to Jul 25 1937 Interest paid to Aug 25 1937 Interest paid to Sep 25 1937 Interest paid to Oct 25 1937 Interest paid to Nov 25 1937 Interest paid to Dec 25 1937 Interest paid to Jan 25 1938 Interest paid to Feb 25 1938 Interest paid to Mar 25 1938 Interest paid to Apr 25 1938 Interest paid to May 25 1938 Interest paid to Jun 25 1938 Interest paid to Jul 25 1938 Interest paid to Aug 25 1938 Paid May 24 1937 937.50 Paid Sep 9 1937 340.00

Paid Oct 7 1937 1675.00

Paid Apr 30 1938 45.00 Paid Jul 16 1938 3440— Interest paid to Sep 25 1938

448 DARROW'S EXHIBIT No. 1 of 3/18/47

Chicago, Ill., March 10—1939 \$2600# On demand after date, the undersigned promises to pay

The First National Bank of Chicago

33379

3½ per cent. per annum.

To secure the payment of this note, and of any other liability or liabilities of the undersigned to the holder here-of, due or to become due, or that may be hereafter contracted or existing, howsoever acquired by said holder, the undersigned has transferred, pledged and delivered to The First National Bank of Chicago the following property, to wit:

Sundry coll (the market value of which is today \$.....) and now agrees that upon breach of any of the promises herein contained or upon failure to pay any of said other liabilities when due said Bank or the holder hereof may thereupon, or at any time or times thereafter, sell the said property or any part thereof, and any substitute therefor and any additions thereto, at any Brokers' Board, or at public or private sale, without notice, advertisement, or demand of any kind, and may apply the net proceeds, after deducting all costs and expenses for collection, sale, and delivery, to the payment of this note or of any or all of said liabilities, returning the residue to the undersigned on demand. Said Bank or the holder hereof may purchase any of said property at any such Brokers' Board or public sale. In case of decline in the market value of said property or any part thereof, the holder hereof may demand the pledge and delivery of additional property of quality and amount satisfactory to said holder; and the fail re on the part of the undersigned to deliver such additional property on demand shall cause this note to become due and payable on demand.

In case of the insolvency of the undersigned, any indebtedness due from the holder hereof to the undersigned may be appropriated and applied hereon at any time, as well before as after the maturity hereof.

Paul E. Darrow 5844 Stony Island Av. Paul E. Darrow

St. Cloud, Fla. 100 W. Monroe St.

Paid May 2 1940 Discount Department First National Bank Chicago

The undersigned hereby guarantee the payment of the within note. Presentment demand, and notice waived.

Interest paid to Mar 25 1939
Interest paid to Apr 25 1939
Interest paid to May 25 1939
Interest paid to Jun 25 1939
Interest paid to Jul 25 1939
Interest paid to Aug 25 1939
Interest paid to Sep 25 1939
Interest paid to Oct 25 1939
Interest paid to Nov 25 1939
Interest paid to Dec 25 1939
Interest paid to Dec 25 1939
Interest paid to Jan 25 1940
Interest paid to Mar 25 1940
Interest paid to Apr 25 1940
Interest paid to Apr 25 1940

449

RESP. EXH. 1-4/17/47

Securities Purchased by Mr. Darrow with Proceeds of Personal Loans Made at the First National Bank Aggregating \$11,462.50 and Their Market Value at the Dates Loans Were Paid and Securities Delivered by Mr. Darrow Based on the Prices Being Paid for Similar Securities at Such Dates or the Next Purchase of Similar Securities.

\$ 2,000 Ogden Park	@	20	\$ 400.00
1,000 La Grange 5,000 Twenty-Secon	nd Street @	20	55.00 1,000.00
3,000 Roseland	@	5	150.00
10,500 Villa	@	6	630.00

5,000	Quincy-2nd Mortgage	0	35	1,750.00
1,500	Irving Park	BABBABA	30	450.00
5,000	North Halsted	6	30	1,500.00
3,000	Quincy-2nd Mortgage	ä	35	1,050.00
5,000	Parkview Manor	6	25	1,250.00
4,500°	Quincy-2nd Mortgage	0	25 35	1,525.00
600	South Side	0	35	210.00
6,000	Twenty-Second Street	00	30	1,800.00
8,500	Los Angeles	@	15	1,275.00
12,000	Parkview Manor	@	20	2,400.00
4,000	Quincy	@	35	1,400.00
5,000	Columbus	999	40	2,000.00
		1		419 945 00

Stricken p. 2467

IN THE UNITED STATES DISTRICT COURT
For the Northern District of Illinois
Eastern Division

450 DARROW EXHIBIT 3 ADMITTED 5/28/47 In the Matter of

Jacob Kulp & Co., Inc. No. 63175

At Chicago, in said District, on the 30th day of October,

A. D. 1936, before Archie H. Cohen, Referee:

This matter coming on to be heard upon the petition and supplemental petition of Maurice Klein, Trustee herein, to sell certain property consisting of accounts receivable, stocks, bonds, notes and coupons more fully set forth in Trustee's inventory (except such coupons that were ordered returned pursuant to order of court heretofore entered), it appearing to the court that all creditors have received due notice of this application, and it further appearing to the Court that the highest and best bid in open court was the bid of Michael Tauber & Co. in the sum of \$1,500.00 for all of the Trustee's right, title and interest in and to said accounts receivable, stocks, bonds, coupons, etc., and

It further appearing to the Court that heretofore the Court appointed Thomas Ryan, R. T. Robinson and Bruce

Benson, as appraisers, and

It further appearing to the Court that a certain Paul E. Darrow heretofore filed a petition herein in his capacity as Permanent Trustee of a certain Federal Facilities Realty Trust and as Permanent Trustee of a certain National Realty Trust, and as President of and on behalf of a number of corporations, claiming all of said property,

more fully described in Trustee's petition and supple-

451 mental petition to sell, and

It further appearing that said Darrow, through his attorney and in connection with his said claim to all of said property, requested the Court to setoff against the amount of such property the amounts due by the Bankrupt to the aforesaid Trusts and corporations represented by said Darrow, and the Court being fully advised in the premises,

Now, Therefore, It Is Ordered that the setoff requested

by said Darrow be and the same is hereby denied.

It is Further Ordered and leave is hereby given to the Trustee to accept the bid of Michael Tauber & Co. in the sum of \$1,500.00, for all of the Trustee's right, title and interest in and to the accounts receivable, stocks, bonds, notes, coupons more fully set forth in Trustee's petition and supplemental petition to sell, and

It Is Further Ordered that the Trustee herein execute the necessary bill of sale and assignment for said securi-

ties on receipt of said \$1,500.00, and

It Is Further Ordered that Thomas Ryan, R. I. Robinson and Bruce Benson, be allowed the sum of \$15.00 each for

services rendered as appraisers in said cause, and

It Is Further Ordered that said \$1,500.00 be held subject to the lien, if any, of said Paul E. Darrow in his aforesaid capacity as Permanent Trustee of the Federal Facilities Realty Trust and as Permanent Trustee of the National Realty Trust, and to the lien of various corporations of which said Darrow acted as President as set forth in his intervening petition heretofore filed herein in these proceedings.

Cohen

Referee

452		TRUSTE	E'S EXHIBIT 7A		
1]	24500		bought by Federal	5/16/38	\$735-OK.
Ferry	25200 2	nd	4 4 4		126-OK.
Irving	2000 2	nd			. 300-OK.
Roseland	300				9-OK.
St. Louis	5000 2	nd	" " St. L.		500—OK.
22nd St.	6000		" " Federal		1800-OK.
	1000	10 1 3 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	" " 22nd St.		300—OK.
Villa	3000		" " Federal		95.55-OK
Ogden		#27-96-130- 202-207-288/90	bot by Ogden		1140—OK.
Rog Pk	8500		" " Rog. Pk.		2975—OK.
Windsor	2000		bot by NRT		400-OK.
	9400		Chairman	7	1880-OK.
	5000		Windsor		1000-OK.
Park Vu	32900 2	ind	bought by NRT		1157—OK.
M Hal.	100				12417.55 30,
		5/18	/39		19447 55

Trustee's Exhibit 4

453

TRUSTEE EXHIBIT 4.

Telephone Harrison 2183

Statement

L. A. ROSE & CO.

Insurance 175 West Jackson Boulevard

Chicago, Ill. 6/22/39

J. Kulp 100 W. Monroe St., (Room 1807) Chicago, Illinois

Commissions on Post Office Building:

Date Pd 6/20/39			nm. 7.92
		THE RESERVE OF THE PARTY OF THE	.53
- 4	λ	3.80	.95°
	Sta. "D" 22	5.00 \ 8	3.75
			7.91 3.30
		8	5.86
2/16/39	Returns: Villa Bldg. (10% Excess	acarte M	
	Pol. #803415) comm. paid 2/10)	S	1.20
6/20/39 6/22		EAST AND VISION AS ACTIVITY NEEDS	5.06
7-		1.44	3.43 3.43
			1.12
	Net Comm. Credit (Paid Jun 22 1939 L. A. Rose & Co. Per F. 1	65	.74

454

TRUSTEE'S EXHIBIT 5.

Chicago, December 11th, 1941
National Realty Trust (etal)
100 W. Monroe St.
L. A. ROSE & CO.

Telephone Harrison 2183 Insurance Exchange Chicago, Ill.

Insurance Agency

Date Policy Company Property Amount Rate Premium 12/5/41 49286 Royal Ind. Boiler 3 40000. 1334.98 3 Yrs. To Fed.Tr. 41.73

1293.25 Armour 175.75 180.66 4.91 33,60 Austin 76.12 2.14 78.26 Berwyn 103.05 2.89 105.94 Crandon 83.00 2.33 85.33 Div. & Lav. 57.05 1.59 58.64 Sta. F Gr. Rap. 88.05 2.45 90.50 66.91 1.87 68.78 LaGrange 77.55 2.17 79.72 14.40/2.70 68.02 Los Ang. 62.75 1.75 64.50 32.00 Dg. Pk. 43.50 1.29 47.79 Pview 75.75 2.20 77.95 Rog. Pk 61.55 1.78 63.28 Windsor Pk. 283.95 7.95 291.90

1,293.25

80,00

193.99

(Paid Jan 12 1942 L. A. Rose & Co. By JS)

Please make all checks payable to L. A. Rose & Co. whose cashier alone is empowered to receipt this bill.

35.27

1,257.98

Exp. 12/5/41

TRUSTEE'S EXHIBIT 6.

Credit Memorandum

National Realty Trust
L. A. Rose & Co.
Insurance Agency

Telephone Harrison 2183 Insurance Exchange

J. Kulp

Date Policy Company Property Amount Return Premium 12/1 41401 Royal Indemnity Boiler 8 80.00

(Suspension Endorsement)

Arm 33.60 L.A. 82.00 LaG 14.40

LaG. 14.40 PAID

JAN 12 1942 L. A. ROSE & CO.

L. A. ROSE & CO. By JS

CREDIT

12

Chicago, Ill.

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Trustee's Exhibit 9 TRUSTEE'S EXHIBIT 9. SECURITIES PURCHASED FOR L. E. DARROW CHAIRMAN ACCOUNT
The second secon

Date Purchased	Par I Value	Purch	ase Price	Bought From		Coi	chase by P	es of Pur- e price paid aul E. Darrov cost
Berwyn P 1/16/36	ost Office	Building	Corporation \$ 35.00	(Second Mortgage)				
		D-1141		Colonial Securities Co.	@	6	\$ 30.00	\$ 5.00
11/13/36	\$1500	821/2	\$1237.50	rst Mortgage Leasehold Bonds) Colonial Securities Co.				1
	The state of the s			bought from G. P. Lyle				1 + 1 - 1
	100			& Co.		6314	\$952.50	\$285.00
11/13/36	\$ 500	80	\$ 400.00	Colonial Securities Co. bought from G. P. Lyle				/
				& Co.	6	631/4	\$317.50	\$ 82.50
8/20/41	\$1000		\$ 990.00	Myrtle Johnson who	-)		4 42.00
	(1/1/42)	naturity)		acquired:)		
			7	Grace Marshall		1		
20				@ 60 which bond				1:
	/- /-			originally sold		• 5	Sec. (1)	
				3/11/85 to Grace Marshall's mother		.)	/	
			No. of the contract of the con	@ 42.		- {	\$800.00	\$190.00
				\$500 acquired from		5		
				George Peterson)		
· ·				@ 100 originally bought in 1928.		1		
Irving Par	rk Post O	ffice Buil	ding Corpor	ation (First Mortgage)			f	
4/10/39	\$ 500	41	\$ 205.00	Colonial Securities Co.				
	1			bought from Lowell Niebohr				
Oniney Ste	tion Post	Office D	ulldian Com	oration (First Mortgage)	.0	36	\$180.00	\$ 25.00
10/18/35	\$3000	37%	\$1132.50	Colonial Securities Co.	A N			
				bought:				
and the				\$1000 from Kneeland				
				Co. 8/18/25 \$2000 from Stein Breman		33	\$330.00	
		1.		& Co. 10/18/36A		40%	815.00	• 12.50
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TRUSTEES EX. 11 IN EVIDENCE

Pederal Pacilities Realty Trust, Paul E.

Darrow, Permanent Trustee & Villa Bldg. Corp.

2366 East 69th St.

L. A. ROSE & CO.

Insurance Agency J. Kulp Insurance Exchange Chicago, Ill. Telephone Harrison 2183 Date Policy Property Company Amount Rate Prenium 9/20/42 Pire & Theft 3 15000. 5364 Equitable 42.00 74.00 115.00 (above loc.) 41.00

10-15-42

PAID OCT 16 1942

L.A. ROSE & CO.

By

17.25

Please make all checks payable to L. A. Nose & Co. whose cashier alone is empowered to receipt this bill.

trusta X 12 alisted

	PR WITE PAID TO L.	^-	DY L. A. RO. & CO.	JACOB KULP	
ARROUR STATION TELE. CORP.	8/24/35 to \$/27/43	,1,557.03	Gredit 76.41	269.65	
AUSTIN STATION BEFG: GORP.	7/26/35 to 3/27/43	6,701.77	Gredit 174.77	1,454.45	
BERNYN POOT OPPICE BLUG. CORP.	e/17/35 to 3/15/43	1,125.40	Greatt 70.66	118.05	
CHICAGO POST OFFICE BLDG. CORP.	12/8/35 to 2/18/43	24,556.05	3,685,96 Gredit 1,739.99	2,00.87	
COLUMBUS PARCEL POTT SLICO. CORP.	6/17/65 to 8/1/45	3,302.64	Gredit 76.76	ā 13.13	
SCEO B. CLARK STREET BLDO. GORP.	7/12/35 to 4/15/43	.5,600.18	Gredit 20.00		الملسيق
G746 CRANDON AVE. B230. CORP.	6/7/26 to 6/7/43	5,788.74	code W.Z	/ 	porter Co

RECAPLIBLA TION

	PREMIUM PAID TO L. A. ROSE & GO.	GOWNISSION PAID TO JACOB MULP BY L. A. ROSE & CO.
STATION D POST OFFICE BIDG. CORP.	12/6/35 to 9/22/42 \$ 1,190.79	Credit 14.65 148.50
DALLAS PARCEL POST STATICES INC.	12/5/35 to 4/29/43 4,049.11	Oresta 108.46 502.16
DIVISION & LAVERGHE BLDG. CORP.	10/14/35 to 9/16/41 1,229.18	Gredit 30.36 235.71
PERRY STATION FOST OPPICE BLDG, CORP.	11/13/35 to 7/20/45 5,813.00	000.30 Gredit 40.68
GRAND RAPIDS PARGES FOST BLDG. GORP.	11/3/36 to 3/3/48 566.67	Orodit 117.78 5.20
INVINO PARK POST OFFICE BLDG. CORP.	12/5/35 to 5/27/43 1,475.55	Gredit .47
LA CRAIDE POST OFFICE BLDG.	6/11/88 to 9/8/48 785.23	Greate 100.07 Land Freihard Land 100.07 La
LOS ANGELES SERVICE STATION INC.	12/14/35 to 8/30/49 2,012.00	Greats 27:00 200.00 Peop.5

RECAPITULATION

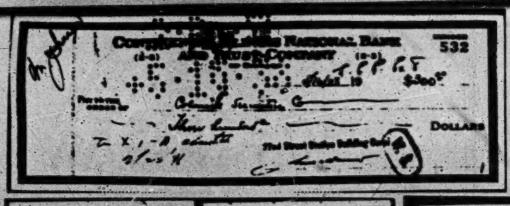
And the second s	PRANTUS PAID TO L.		CONTISUION PAID TO BY L. A. ROSE & CO	
PG KINL T PART STATION REDG. CORP.	6/11/35 to 3/27/43	1,448.48	Credit 250.66	245.90
HORTH HALBTS STREET POST ON ICE BLDG. CORP.	6/27/35 to 9/16/41	1,293.65	262.24 Credit 2.89	
OCDEN PARK POST OFFICE MLLO.	7/6/35 to 3/27/43	3,889.03	Gredit 819.65	
PAREVIEW MINUR REDG. CORP.	5/1/35 to 5/25/43	6,895.36	1,554.45 Credit 122.04	
POSTAL PASILITIES INC.	12/5/35 to 3/1/43	2,235.08	391.74 Gredit 6.66	
HOS TAND POST OF THE BLOG.	10/16/35 to 11/5/42	1,005.39	Credit 230.18	
SOUTH SIET POST OFFICE BLDG. GORP.	10/15/35 to 3/27/43	1,958.06	827.18	527.15 ENERGY 12 A
TARNTY-SPECIED STRUCT STATION BUILDING CORP.	6/23/35 to 3/27/43	1,517.80	Gredit .46	

ARCALITERATION

August August (PRINTUM PAID TO L . A.
WEITED STATES HENO. CORP.	6/85/35 to 5/1/45 ÷ 17,875.05
VILLA HEDO. CORP.	9/20/35 to 3/27/43 2,298.59
	10/13/35 to 7/26/43 5,345.09
TIMESON SHORE BLING. CORP.	10/15/55 to 4/25/55
QUIRCY STATION BLDG. CORP.	19/5/35 to 3/27/43 4,907.46
PAUL R. CARROL	
THUSTER POR PEDFICIL	7.6/36 to 7/28/4" 1,283.30

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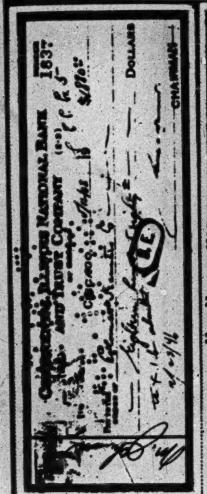
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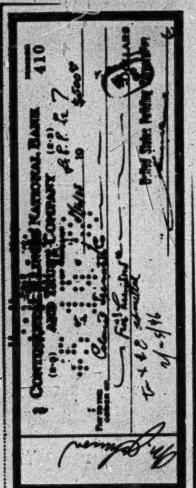


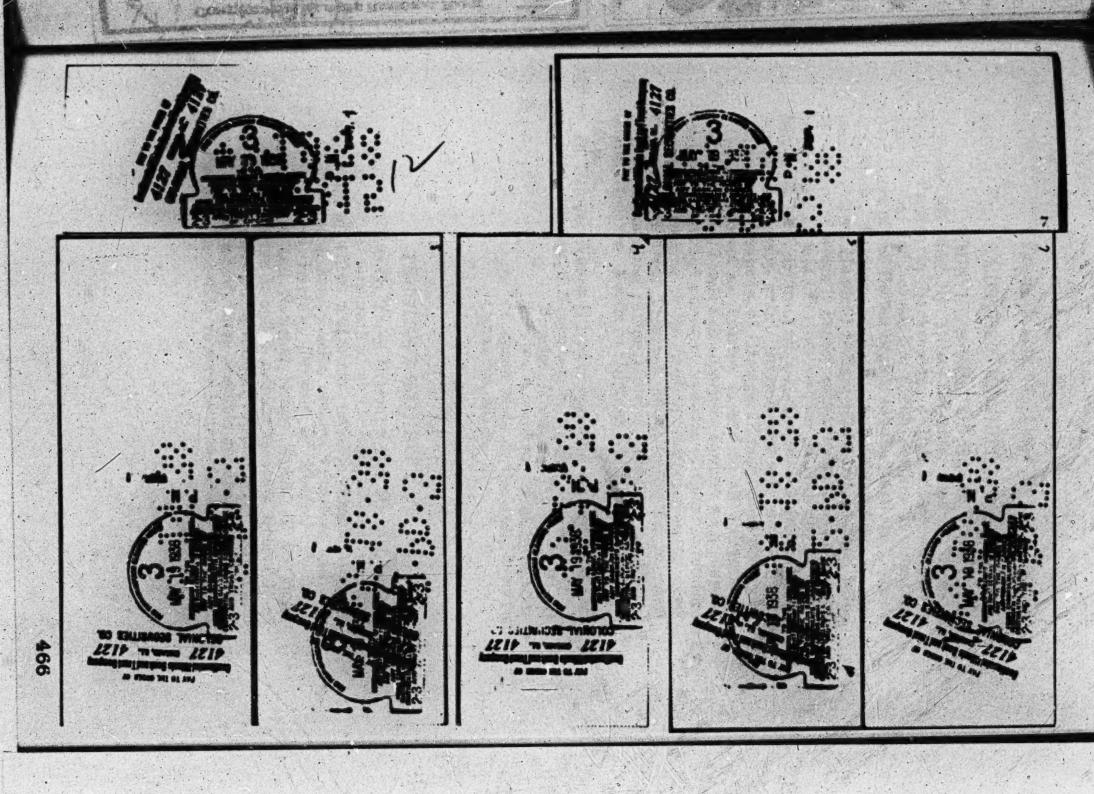


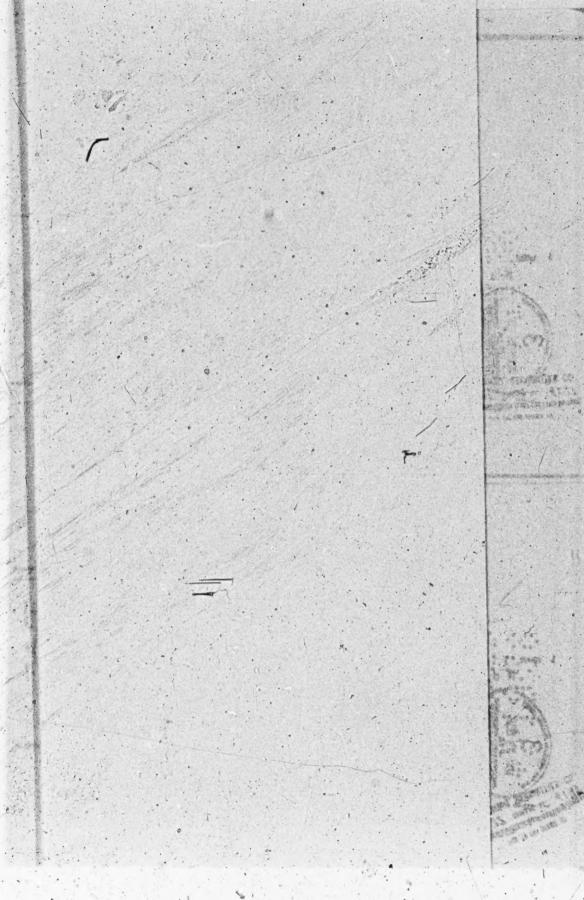












TRUSTEE'S EXHIBIT 1.

TRUSTEE'S BILL OF SALE.

Know All Men By These Presents, that I, Maurice Klein, Trustee in Bankruptcy of the Estate of Jacob Kulp & Co., Inc., cause No. 63175, pending in the District Court of the United States, for the Northern District of Illinois, Eastern Division, in consideration of the sum of Fifteen Hundred Dollars (\$1500.00), in hand paid, the receipt of which is hereby acknowledged, and pursuant to an order of said Court entered on the 30th day of October, A. D. 1936, before Archie H. Cohen, Referee in Bankruptcy, do hereby grant, bargain and sell unto Michael Tauber and Company, of Chicago, Illinois, all of my right, title and interest as Trustee, in and to all accounts receivable stocks, bonds and securities (except such coupons that were returned pursuant to order of Court heretofore entered) belonging to the bankrupt corporation, as more fully appears from Trustee's inventory on file in cause No. 63175, pending in the District Court of the United States, for the Northern District of Illinois, Eastern Division.

In Witness Whereof, I have hereunto set my hand and

seal this 5th day of November, A. D. 1936.

Maurice Klein (Seal)
Trustee in Bankruptcy of the Estate
of Jacob Kulp & Co., Inc., a corp.,
Cause No. 63175.

468

TRUSTEE'S EXHIBIT 2.

Know All Men By These Presents: that Michael Tauber & Company, a corporation, of Chicago, Illinois, in consideration of \$10.00 and other valuable consideration to it in hand paid, hereby sells, assigns, transfers and conveys to Paul Darrow, Trustee of Federal Facilities Realty Trust and National Realty Trust, all its right, title and interest in and to certain accounts receivable as more fully described in Exhibit "A" attached hereto and made a part hereof, these accounts receivable being part of the same accounts receivable transferred to Michael

Tauber & Company by Maurice Klein as Trustee in bankruptcy of Jacob Kulp & Co.

Dated at Chicago, this 5th day of November, A. D.

1936.

Michael Tauber & Company, By.....

TRUSTEE'S EXHIBIT 2-A. 469 Division & LaVergne Building Corporation First 15.25 Mortgage coupons Postal Facilities, Inc., Second Mtge. coupons. . . . 10,655.50 Ogden Park Post Office Building Corporation First Mortgage coupons 8,369.00 Rogers Park Post Office Station Building Corporation First Mortgage coupons 10,114.53 Crandon Shore Building Corporation First Mtge. 2,600.75 coupons Windsor Shore Building Corporation First Mtge. 2.977.25 coupons Windsor Shore Building Corporation Second Mtge. coupons 455.00 Irving Park Post Office Building Corporation 16.25 First Mortgage coupons North Halsted Post Office Building Corporation 70.60 First Mortgage coupons Roseland Building Corporation First Mortgage 344.10 coupons United States Building Corporation 1st Mtge. 2.50 coupons United States Building Corporation Second 156,25 Mortgage coupons Villa Building Corporation First Mortgage cou-16.25 South Side Post Office Service Building Corporation First Mortgage coupons..... 105.25 including the books and records of Jacob Kulp & Co. Rec'd Melvin Goldman 11/5/36

TRUSTEE'S EXHIBIT 4.

4/10/46

Number 248

CONTINENTAL ILLINOIS NATIONAL BANK (2-3) AND TRUST COMPANY (2-3) of Chicago

Chicago, Nov. 5, 1936-\$800.00

Pay to the order of Michael Tauber & Co. Eight Hundred and no/100 Dollars.

Myrtle Johnson
Stamp—Accepted Nov 6 1936 No 010950 Continental
Illinois National Bank and Trust Company of Chicago.

471

TRUSTEE'S EXHIBIT 14 Admitted 5/28/47

IN THE UNITED STATES DISTRICT COURT For the Northern District of Illinois Eastern Division

(Caption-No. 63175)

INTERVENING PETITION OF PAUL E. DARROW

To the Honorable Archie H. Cohen, Referee in Bank-ruptcy:

Now Comes Paul E. Darrow, and respectfully repre-

sents as follows:

1. He files this, his intervening petition, pursuant to leave of this Honorable Court first had and obtained.

2. He was on, to-wit, May 24, 1935 appointed Permanent Trustee of Federal Facilities Realty Trust, a common law trust, in proceedings pending under Section 77 B of the Bankruptcy Act in the United States District Court for the Northern District of Illinois, Eastern Division, as case No. 58334, duly qualified as such Permanent Trustee and is now acting as such.

3. He was on to-wit, June 21, 1935 appointed Permanent Trustee of National Realty Trust, a common law trust, in proceedings pending under Section 77 B of the Bankruptcy Act in the United States District Court for the Northern District of Illinois, Eastern Division, as case

No. 58335, duly qualified as such Permanent Trustee and

is now acting as such.

4. As Trustee aforesaid of Federal Facilities Realty Trust, he holds all of the beneficial interest in and voting rights to all of the issued and outstanding capital stock

of the following corporations:

472 Chicago Post Office Service Building Corporation

Columbus Parcel Post Building Corporation
Station "D" Post Office Building Corporation
Dallas Parcel Post Station, Incorporated
Ferry Station Postoffice, Incorporated
Irving Park Post Office Building Corporation
McKinley Park Station Building Corporation
North Halsted Post Office Building Corporation
Quincy Station Post Office Building Corporation
Roseland Building Corporation
United States Building Corporation
South Side Post Office Service Building Corporation
Twenty-Second Street Station Building Corporation

Villa Building Corporation
5. As Trustee as aforesaid of National Realty Trust,
he holds all of the beneficial interest in and voting rights

to all of the issued and outstanding capital stock of the following corporations:

Postal Facilities, Incorporated
Armour Station Building Corporation
Austin Station Building Corporation
Berwyn Post Office Building Corporation
Division & LaVergne Post Office Building Corporation
Grand Rapids Parcel Post Corporation
LaGrange Post Office Building Corporation
Ogden Park Post Office Building Corporation
Park View Manor Building Corporation
6929 North Clark Street Building Corporation
Windsor Shore Building Corporation
6748 Crandon Avenue Building Corporation

6. He is a member of the Board of Directors and is also the president and treasurer of each of the above

named corporations.

7. Reorganization under Section 77 B of the Bankruptcy Act has been had or is now being made for many of the said corporations and for the two said trusts. Under the terms of many of such reorganization plans all unpaid interest was or is to be cancelled or waived. The time within which claims could be filed has passed in

many of said reorganization proceedings.

8. Jacob Kulp & Co., Inc., the bankrupt herein, is indebted to Paul E. Darrow as Permanent Trustee of the said National Realty Trust and of the said Federal Facilities Realty Trust, and is indebted to a number of the above named corporations in the amount of approximately \$494.366.43 as more particularly set forth herein.

\$252,000.40, as more particularly set 1	
Armour Station Building Corporation	\$ 6,494,55
Austin Station Building Corporation	24,246.84
Chicago Post Office Service Building	
Corporation	88,129.91
Columbus Parcel Post Building Corpor	
Station "D" Post Office Building	
Corporation	2,922.85
Dallas Parcel Post Station, Incorporat	
Division & LaVergne Post Office Building	n <i>c</i>
Corporation	7,578.77
Ogden Park Post Office Building	1,010.11
Corporation Corporation	6 176 05
	6,176.95
Quincy Station Post Office Building Corporation	170 150 50
	172,156.50
Rogers Park Post Office Building	10 00 00
Corporation	12,295.80
Roseland Building Corporation	2,723.60
United States Building Corporation,	
St. Louis	23,368.24
South Side Post Office Service	
Building Corporation	10,036.03
Twenty-Second Street Station	为一种共和国企业 企业
Building Corporation	36,474.35
Villa Building Corporation	3,283.39
Windsor Shore Building Corporation	4,383.42
Paul E. Darrow, Trustee	1,428.55
Claims have haratofore or will have	- Ct L - C1 - 3

9. Claims have heretofore or will hereafter be filed in the bankruptcy proceedings for the aforesaid amounts.

10. Maurice Klein, Trustee in Bankruptcy herein, has heretofore filed his Petition To Solicit Bids for various assets of Jacob Kulp & Co., Inc., including particularly the bonds and interest coupons of many of the aforesaid corporations, and a return of bids for such assets is set for hearing before this Honorable Court on to-wit, August 12, 1936.

11. Your Petitioner is informed and believes, and upon such information and belief alleges the fact to be that the bankrupt acted as agent for the corporations and trusts heretofore named during the period from to-wit, 1930 to 1933, for the purpose of collecting rents and income due to said corporations and trusts; that it commingled funds thus collected with its own funds; that its own funds were small in amount and that the majority of funds in its possession were funds properly belonging to

said corporation and trusts; that such funds were 474 used by the bankrupt for the purchase of bonds

and interest coupons of most of the said corporations; and that such purchases were made at or subsequent to the maturity of such interest coupons; and that such interest coupons should have been cancelled when purchased.

12. Your Petitioner charges that the aforesaid bonds and interest coupons of said corporations and trusts should be cancelled as aforesaid; that in the event they are not cancelled, all assets of Jacob Kulp & Co., Inc. should be impressed with a trust in favor of the aforesaid corporations and trusts to the extent of such bonds and coupons now proposed to be sold as aforesaid; and that all claims of the aforesaid corporations and trusts against the bankrupt are entitled to priority over other claims against the bankrupt.

Wherefore, your Petitioner prays that an order may

be entered herein:

1. Directing Maurice Klein, Trustee in Bankruptcy herein, to cancel all the bonds and interest coupons evidencing an alleged indebtedness to Jacob Kulp & Co., Inc., bankrupt, of the Federal Facilities Realty Trust, the National Realty Trust and the aforesaid corporations, or in the alternative, that such bonds and coupons be delivered up to your Petitioner for cancellation.

2. Directing that no sale of any of the aforesaid bonds or coupons be had in these proceedings pending the determination herein of the rights of the trusts and corpo-

rations represented herein by your Petitioner.

3. Impressing a trust in favor of the trusts and corporations represented by your Petitioner against all of the aforesaid notes, bonds and interest coupons now proposed to be offered for sale.

4. Directing all claims filed herein on behalf of 475 the trusts and corporations represented by your Pe-

Amendment to Intervening Petition of Paul E. Darrow 425

titioner be paid out of the assets of the estate prior to payment of other claims herein.

5. Directing that any sale of the aforesaid notes, bonds and coupons be made subject to all of the rights of the trusts and corporations represented by your Petitioner.

6. Granting such other and further relief to your Petitioner as to this Honorable Court shall seem meet.

(Seal)

District Court of the United States
State of Illinois
County of Cook

Paul E. Darrow, being first duly sworn, on oath deposes and says that he has read the above and foregoing Petition by him subscribed, knows the contents thereof, and that the same is true, except as to matters stated upon information and belief, and as to such matters he believes it to be true.

Subscribed and Sworn to before me this 5th day of August, A. D. 1936.

Notary Public

476

IN THE UNITED STATES DISTRICT COURT For the Northern District of Illinois Eastern Division

(Caption-No. 63175)

AMENDMENT TO INTERVENING PETITION OF PAUL E. DARROW

To the Honorable Archie E. Cohen, Referee in Bank-ruptcy:

Now comes Paul E. Darrow and respectfully represents that he files this his Amendment. To Intervening Petition of Paul E. Darrow, pursuant to leave of this Honorable Court first had and obtained.

Section 8 as found on page 3 of the Intervening Petition of Paul E. Darrow heretofore filed herein on August 10, 1936 shall be and is hereby amended to read as follows:

426 Amendment to Intervening Petition of Paul E. Darrow

"Jacob Kulp & Co., Inc., the bankrupt here		
debted to Paul E. Darrow as Permanent Trust		
said National Realty Trust and of the said Fe		
cilities Realty Trust, and is indebted to a numb		
above named corporations in the amount of appr \$490,947.56, as more particularly set forth he	oximately rein:	
Federal Facilities Realty	\$ 3,006.25	
Chicago Post Office Service Building	+ 0,000.20	
Corporation	88,221:47	1
Columbus Parcel Post Building Corporation		3
Station "D" Post Office Building		
Corporation	4,196.72	
Dallas Parcel Post Station,		i
Incorporated	40,256.80	
Ferry Station Postoffice, Incorporated	26.25	
Irving Park Post Office Building		
Corporation	72.50	
McKinley Park Station Building		
Corporation	178.75	
North Halsted Post Office Building		
Corporation	26.25	1
477 Quincy Station Post Office Building	-0.20	
	172,224.75	is.
Roseland Building Corporation	3,012.85	
South Side Post Office Service	0,012.00	
	10,146.53	
Building Corporation	10,140.00	
Twenty-Second Street Station Building	27 440 50	
Corporation Commission Commission	37,449.52	
United States Building Corporation	23,858.74	
Villa Building Corporation	4,388.39	
Armour Station Building Corporation	6,554.55	Ü
Austin Station Building Corporation	24,270.84	
Berwyn Post Office Building Corporation	80.00	
6748 Crandon Avenue Building Corporation	340.50	
Division & LaVergne Post Office Building		
Corporation	7,623.77	
Postal Facilities, Incorporated	16.25	
Grand Rapids Parcel Post Corporation	20.00	
LaGrange Post Office Building Corporation		
United States Service Station	251.00	
Ogden Park Post Office Building		
Corporation	6,461.95	
Park View Manor Building Corporation	6,885.60	
	the state of the s	

6929 North Clark St. Building	
Corporation	12,705.23
Windsor Shore Building Corporation	4,581.67
Paul E. Darrow, Trustee	1,428.55
	(Seal)

District Court of the United States | State of Illinois | County of Cook

Paul E. Darrow, being first duly sworn, on oath deposes and says that he has read the foregoing amendment to petition by him subscribed, knows the contents thereof and that the same is true, as he verily believes.

Subscribed and Sworn to before me this 15th day of September, 1936.

Notary Public

478

TRUSTEE'S EXHIBIT 1.

VARIOUS ITEMS REPRESENTING MONEY TRANSFERRED FROM THE BANK ACCOUNT OF DALLAS PARCEL POST CO. TO THE ACCOUNT OF JACOB KULP & CO.

	1
January 5, 1927	\$5,000.00
October 1, 1927	5,000.00
October 24, 1927	4,000.00
June 5, 1928	3,000.00
March 20, 1929	3,000.00
May 14, 1929	3,000.00
July 10, 1929	2,000.00
September 11, 1929	2,000.00
January 29, 1930	2,800.00
February 4, 1930	1,000.00
March 29, 1930	1,000.00
May 7, 1930	2,500.00
June 24, 1930	1,000.00
July 14, 1930	1,000.00
August 13, 1930	1,000.00
September 15, 1930	1,000.00
October 14, 1930	1,000.00

December 6 1020	1,500.00
December 6, 1930 January 8, 1931	1,000.00
February 1, 1931	1,000.00
March 4, 1931	1,000.00
April 3, 1931	1,000.00
May 8-11, 1931	1,250.00
June 3, 1931	1,000.00
July 15, 1931	500.00
August 14, 1931	1,000.00
September 15, 1931 .	1,000.00
October 16, 1931	1,000.00
November 5-20, 1931	1,000.00
December 11, 1931	750.00
January 7, 1932.	800.00
February 6, 1932	1,000.00
March 8, 1932	1,000.00
April 7, 1932	1,000.00
May 13, 1932	1,000.00
June 25, 1932	200.00
August 5, 1932	1,900.00
September 8, 1932	800.00
October 11, 1932	5,000.00
April 7-15, 1933	5,000.00
May 5-16, 1933	4,500.00
June 2-9, 1933	4,950.00
July 8-14, 1933	5,000.00
	\$84,450,00

79 TRUSTEE'S EXHIBIT 2.

VARIOUS ITEMS REPRESENTING MONEY TRANS-FERRED FROM THE BANK ACCOUNT OF POSTAL FACILITIES, INC. TO THE ACCOUNT OF JACOB KULP & CO.

February 8, 1929	\$3,000.00
June 11, 1931	250.00
September 15, 1931	250.00
March 25, 1932	600.00
April 7, 1932	700.00
November 22, 1932	150.00
December 17, 1932	100.00
January 9, 1933	500.00

March 18, 1933	500.00
April 6-15, 1933	1,500.00
May 5, 1933	500.00
June 5-9, 1933	575.00
July 14, 1933	275.00
August 4-16, 1933	600.00
September 11, 1933	400.00
	\$9,800.00

480 TRUSTEE'S EXHIBIT 3.

VARIOUS ITEMS REPRESENTING MONEY TRANSFERRED FROM THE BANK ACCOUNT OF FERRY STATION POST OFFICE CO. TO THE ACCOUNT OF JACOB KULP & CO.

December 16, 1925	\$1,500.00
May 7, 1926	1,000.00
June 9, 1925	1,500.00
July 9, 1926	1,500.00
October 13, 1926	2,320.07
December 10, 1926	1,038.00
January 5, 1927	2,000.00
February 23, 1927	890.48
September 20, 1927	5,500.00
February 24, 1928	1,799.85
November 15, 1928	7,000.00
December 19, 1928	1,500.00
March 20, 1929	7,000.00
April 22, 1929	-1,000.00
July 10, 1929	3,500.00
September 12, 1929	3,000,00
November 23, 1929	2,000.00
January 2, 1930	3,000.00
February 4, 1930	2,500:00
March 29, 1930	1,200.00 .
April 16, 1930	1,500.00
May 16, 1930	1,500.00
July 14-17, 1930	2,500.00
August 6, 1930	1,000.00
September 9, 1930	2,000.00

	The state of the s
October 3, 1930	\$ 1,000.00
November 18, 1930	2,000.00
December 6, 1930	1,500.00
January 15, 1931	500.00
February 1, 1931	1,500.00
March 2, 1931	1,000.00
April 3-7, 1931	1,500.00
May 4-16, 1931	1,400.00
June 11, 1931	500.00
July 3, 1931	1,500.00
August 5, 1931	1,500.00
September 3-15, 1931	1,250.00
October 2, 1931	1,500.00
March 6, 1932	500.00
April 11-19, 1932	12,500.00
May 25, 1932	1,000.00
June 9-17, 1932	1,500.00
July 12, 1932	900.00
August 5, 1932	1,500.00
May 8-9, 1933	1,600.00
June 5-9, 1933	1,700.00
July 7, 1933	1,500.00
August 4-16, 1933	1,650.00
September 11, 1933	1,200.00
	440 000 00

Copy

SECX1.

5/19/38

Received from Louis Goldman \$24,203.55 being payment in full for all of the bonds and securities this day purchased by the undersigned under court order in case of Seligman et al vs Kulp et al #35S11241—being same securities referred to in receipt of John F. Bolton, Special Commissioner, Superior Court of Cook County.

Michael Tauber & Co. (Signed) By Richard Levy, Pres. SECKI

SEC EXHIBIT 2

1/2/13-

SELLING PRICE OF SECURITIES IN LOT 1 NOT DELIVERED TO DARROW

	1,20/47			
5/15/38	Austin 1st Mtze bonds	Par Value	Price h5	Total
6/20/38	G. U. MeLain	2,500		\$ 900.00
·7/9/38	C. Steinbach	2.100	45	1,125.00
11/11/38		500	1,7-1/2	997.50
11/23/4/			145	225.00
		1.000 3.100	45	450.00
9/30/38	Austin 2n1 Mtre. bonis	93.000	30	900.00
11/3/38	A. Roenig	1,000	30	300.00
11/14/38	L. Blair	6,000	30	1,800.00
5/8/38	Crandon	\$ 6,000	30	1,800,00
8/17/38	Pred Oradolph	3,000	30	900.00
9/1/38	Jane Baumann	8,000	30	2,400.00
5/18/38	Jeo. Peterson	4,000		350.00
5/19/40	National Realty Trust	1. 200	30	60.00
5/31/39	Station "P" P. Almeroth	\$10,000	29	2,900.00
	Max Lovy	416,000		
	Parkview Manor		*	
5/21/38	Marie Walsh	\$ 1,000	25	250.00
5/25/38	Chas. V. Powell	1,000	30	300.00
5/25/38	A. N. Powell	6,000	30	1,800.00
6/30/38	Minnie Newman	3,000	30	900.00
10/17/38	C. Juliusen	3,000	30	900.00
5/1/40	Parkview Manor Bl 12.Co.	1.000 025,000	- 50	200.00
	Amount received from Mr.		P	12.667.55 131,905.05

seem in the

FEDERAL PACILITIES REALTY TRUST

COLONIAL SECURITIES COMPANY : ITH PERSON PACILITIES REALTY THUST ON SUBSTITUTES

			MIT 24	1935 60	December 1	101	丛 基层与	3		
Balow Date	Security	7	sold to		Parchased From	Par Value	Sales Price		(DLIF, be (and a Coat	
2/14/36	Chicago P. Service H. Corp., Ist Hap. M. C Liscom Box	4g. 667 wa.	and the second s	2/14/36	Alian Inc.	. (2 000.	.	\$ 780,00 =	\$ 720.00	s 60.00
11/1/11	• •	1541 542		11/1/37	Herbert E. Groom & C		. 21h	560,00	550.00	10,00
1/20/38	• •	W		1/20/38	G. L. Ohr- stree & Co		. 30	. 1597.50	1512.50	25.00
4/14/37	• . •	100	Lower	4/14/37	S. Lovy	2000	. 32	640,00	600,00	40.00
4/14/37	• •	. 1207	/S Leguer	4/11/37	H. Long	2000	. 32	640,00	600,00	40.00
	Columbus P. Mag., Inc. Let Mgc. & Incur Bond	¥ 276	Pederal	22/22/31	0. 7. lyla 8 00.	1000	. 69}	700.00	635.00	65,00
11/24/36	• •	. 234	Pederal	11/25/34	G. P. Lyla & Co.	500	- 601	367.50	317.50	70.00
17/21/26	• •	277- 276	Poderal	11/25/36	6. P. Lyla	1000	634	700,00	635,00	65.00
11/24/36		207-	450-	11/25/34	6. 7. lgla 8 00,	3700	631	2553.00	2349.50	20).50
9/25/37		314- 315-	larer M8	זכ/עכי	Lister, Carter & (THE RESIDENCE AND ADDRESS OF THE PARTY OF TH	45	150.00	135.00	15.00
11/13/36	• •	174- 175			0. P. LyL	1000,	63)	625.00	635.00	190,00
11/13/36		172	Dargon-		6. P. Lyla	500,	634	. L12.50	317.50	95.00
		7.			• • •			. 1	ital s	171.50

PITTERAL PACILITIES PEALTY THOSE

COLONIAL SECURITIES COMPANY with PROGRAM PACILITIES REALTY TRUST OF SUBSTINIARIES HAT 24, 1935 to FROMING St. 1941

										ffermer
Balos		Book			Purchased		Sales	Balos		bot and fulling
11/19/14	Columbus P.P.		2000	7	G.P.Lylo		Price	400.00	4 87.00	
	Mdg., Inc.	and the second	Chelron		à Co.	•	•	•		
	Income Honds					D.				
9/1/10		125	Diebance	d for	Borths. Stalgar	800.	100	#00.00		
			(201 a c	ber and	and as full	oves			200	
\ .			27/	B. Pare	borthe State	free				
				rold 1/1	(Ma purelea				247.50	7 3/443
					T.Lyle & Co		4	200.00	220,00	22,30
8/14/36		404- 405-408 408-410	-	\$/9/39	Valles	5000.		2830.00	2250.00	200.00
d		496-497								
8/16/39	Irving Park P.C. Ridg. Corp.		Issuer	5/14/86	Borthrop	500.	35	200.00	175.00	25.00
60	Int Wigo. M	9			, //					
4/20/20		6.50	1 4 4 4 4		P.J. Tolas		35	400.00	850.00	80.00
4/10/30			Darros- Chalrens		Lowell, Biobole &	500. Co.	88	*205.00	180.00	25.00
	, Fig.									
4/25/30	Irving Park P.O.Bldg.Corp.		Pederal	5,73/39	Enceland & Co.	500.	10	\$5.00	\$0.00	8.00
	Income Boards		4							
						1			6	ď
1/10/20	Station Hidg.	100	Ispier	1/19/79	Cornelia Little	1000.	\$1-1/2	826.00	375.00	10.00
•	Corp., let Sty	r:				1				
1/10/00	•	31	Federal	1/19/39	Cornelia Little	800.	\$1-1/2	162.50	157.50	8.00
2/4/0		4-22	Prderal	2/0/39	Kneeland	1000.	25-1/2	325.00	265.00	60.00
				0.00 for	& Co.	1000	99.37	350.00	305.00	25.00
6/0/00			Federal Temer	5/1,/39	Ma. M. Jones		52-1/2		325.00	25.00
7,4,5					Phillips		4.4			

CALCULATE CONTRACTOR CONTRACTOR OF PROJECT AND A CONCLUSION OF CONTRACT AND A CONTRACT AND A CONCLUSION OF CONTRACT AND A CONTRACT AND

	•	Charles I		folos folos		
1/11/20 Helles	er Park 70 Potore	of Phonograph and the	Arris March \$100	Iries man		M.16
SPR	in plan 13 Let stan 13 Let stan 13				1.	
					M.	
root 1	rered 1825- lease betten, 277 steep.		end 8000. reding	. 20 3/4 000.	. 014.00	
1/4/10	Brown Preds	· 1/4/46 1	selwy, BOO.	ang 120.	n 126.60	30.00
1/8/16	# #107- 1es	mar 7/4/30 E	aybo & Go. Dooland 6000.	B 1000.4	D 1040,00	
1/22/26 •	80	or 1/22/28 B	moderat 600.	28 139.4	D 179.00	L.0
11/4/36 *	. 110-1-0	or 10/13/10 H		20 / 2004	0 200.00	46.60
12/20/20 *	* 180 Peder	-1 e\11\si	reles, soo.	10 77.0	78.60	15
12/20/30 •	• plat heavy	-7 8\25\30 \n	mia il. Ila d'Assa.	26 17.4	10.00	2.00
2/0/20		of 6/1/20 in	77 /			L.O
₩27/19 ·	. 001	ol 2/0/70 En 0 (or 0/22/70 En		1		7.00 \$10.00
VV6 -		· 4/17/-0 %	00.	16 118.		/2.0
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PEDENAL PASSISTERS MALTY THUST

COLONIAL SPONGTERS C MPAIN WAS PERSONAL F. DISTING MEALTY THIST OF SUBSTITUTED AND THE STREET AN

Salon Date Security	J. au	Parales Bale	- Personal S	ale lie frie	Sales Accest	TO COMPANY TO SERVICE STATES	een Lend Ling
9/A/37 Perry States P.O., 100., Selle Mage: 3	47	• 4/22/37	A. G. 22 Steam A 20.	u00. 19-1/2	: რა.თ	\$ 350.00	:210.00
-VV31		• W19/37	Interest, M Inchises		263.00	195.00	70.00
//37 • •	A - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -		A. G. Market & Co.			195.00	70.00
	1001	President !	ore artually de helitated No. larger reside helity Track (Diversed to D170-176-16 of in contact or sold bond	leouer. By CLSS- Ge from		
10/10/37 · · ·	CSS 1	- 10/23/37	Hartley Regers & Co.	100. 25-1/2	26.50	25.50	1.00
3/2/30 · ·	MS) less	* 3/2/34	Reptort E. M Group & Co.	w. a	265.00	20. 00°	5.00
10/17/30	COS lama	- 10/13/30	Lilley & co.	w. a	25.75	25.00	1.75
V5/30 · ·	1076 10000	· 1/5/39	1411er & Co.1	000 26-1/ 2	267.50	265.00	2.50
\$/27/30 •	N20 1	* 5/27/20	Pervis & Barigress	200 26	132.50	130.00	2.50
22/20/29 • •		- 11/10/27	Profession 1	 .	272.50	856.07	4.44
WATE Dinny makes F.O. Mag. Or let Mag. 95 Lance Sente	: -	• W		100.45			32.59
10/17/35	M.74 Barren	- 9/14/35	grantent 10	a. y	577.50	330.00	L7.50
Mal/21	217- 100mm			00. W-1/2	Ø75.00	670.00	5.00
						1.1 74	3/ 20

6.8.1

COTONE'S PRODUCTION OF MY WICH PRODUCT PARTITION PRAIRY TOUT OF TURNE LATING WAY 24, 1936 to Incres # 21, 1941

Solos Security No. sold To		Turchased Prop		ielos Ties	Soloo ment		ifference Between Coet and Colling
9/30/37 .uiney St-tion 9000 luseer f-0.Bldg.Corp., let Vtgo. 54 Cum. Invene Denda	9/29/37	Doyle, O'Conser & Co.	: 10 ~.	ai.	487.60	485.00	2.00
6/17/30 * * # #756 Issuer	1/27/39	Perrie à l'erdgrove	3000.	18	462.80	480.00	2.10
9/18/70 " " Dl29 Issuer	9/10/*9	Lillian Curtie	ero. (18	210.20	216.00	1.86
9/10/20 * * PA Issuer	0/10/30	Alice Bleekturn	800.	15	216.20	:18,00	1.20
9/18/79 - • D14E Icems	9/10/30	Needs I.	sno.	ur .	210.26	£16.~0	1.26
11/17/70 cuimoy St-tion H171 Corner F.O. Bidg.Corne, 2nd Mage. Df	11/14/30	fot-to of Jesso Lyn				الله الله	60-00 ,
Incomp Broke	•						
					1,		
1/18/27 South Side P.O. M204 Ioras P. Serv.Bldg.Corr., 204-207-104 wigs. 30 208-108-108-108-108-108-108-108-108-108-1	1/14/31	Joseph Ja molete	6000.	38	1912.00	1780.00	162.60
1/11/50 " " D147- Income 100-171	1/11/10	A.J. Fla	1800.	•	607.50	60 7.	7.80
1/1/50 • • D30 Peders	7 1/20/30	J. Holme	100.	36	200.n	176.	25.00
2/1/30 * * D25 Podore	1 1/26/70	T. J. Ro	100 sales	14	Fv.00	170-	00 25 00
2/1/30 • D168; Podorel G41-77- 78-08-	1/21/20	R. S. Bredith	1000.	36	000		13A.F. 75

PADARAL PACILITIES BEALTY THEM

COLORIAL SACURITIES COMPANY with Palatal FACILITIES REALTY THOST OF SUBSIDIARIES

Sales Otto		Z sies	Perelace P	rehard for Fra Isla		les .	bot and Solling Price
142/0	South Clin P.O. Surv. Hidg. Corp. lat Mgo. M Income Bunds	Culty leaser	. 4/2/40 E	indial (and		12.00 \$ 73.00	, i mw
	AAY A						340
11/40	Tomy Second St. Station M.dg. Corp.,	a) lamet				D.Q0 25.Q1)
/440		76- Ismar 70-01		aller, 200.		s.00 (7.50	å
14/12/10	United States Mdg. Corp.,	485 Iimm	Maria Transcription of the Control o	itten, 1000.	POSSESSA POLICIO POR PORTO CONTRA CONTRA PORTO PORTO CONTRA PORTO CONT	0.00 280.00	00.60
1 4/22/20	let Mgs. 65 Isomo Brado	es deser	10/20/26 To		'00 K	o.oo so.oo	60.00
, 6/15/80		167 lescar	•\14\æ 01 €	100 c. 600.	. 28 11 /*	D.00 125.00	23.00

GOLDEIAL STORESTEE BYALT TROST TROSP

tond Parchage	Parehased Fren	Sales Sales	3014 To	<u>, </u>	les Cost	Price	rring Prior
PORRAL PACILITY	THE REALET TRUST		W.77		0. 85.00		
W1 6/22/20	A Phiops		Bold .	100			
77-78- 9/17/87 '9-80- 437-865	2. 2. Sartlet				\ .		
19901 2/22/50	Estate Se Do	lánite. stok	Bold	100	0. 10.00		

Cof. Bo- 107- 12/10/10	W. 1077 11	/18/86 E. Al-	• • • • • • • • • • • • • • • • • • • •	roounn sno.	on 0.00
28 4/14/17	E. R. Condor	mae \	A STATE OF THE PARTY OF THE PAR	100.00	
200 0/1/40	a. J. Porney	V11/40 M. Jehns	. 1000,		on 0.00

MH40 4/12/36	A. Eicker 0/20/88 S. Cohill .	1000.	\$ 0.00	800.00 0.00
MT9-176 4/14/56	S. L. Chrysren Co. 4/20/26 S. Caldli	8000.	8806.00	3000.00 196.00
1508 7/3/35	S.L.Chrytren Co. 7/1/36 P. Almorth	2000.	380.00	400.00 By00
Mar 0/27/26	Slyta & Co. 7/8/86 P. Almoreta	2000,	305.00	400.00 88.00
100 0/27/25	Bishey boyle Co. 7/5/26 P. Almoreth	1000.	300,00	600.T ED.60
1/11/16	to Johnson 7/51/88 7: Almoreth	3000.	1800,00	1800.0 0.00
No 10/10/86	Stela Bresses Co. 11/2/36 Seperter Inc.	GO. 600.	107.00	197.00 0.00
Ms 30/10/20		800.	107.00	200.00 2.00
pgs 10/10/88	Stels Browns Co. 10/16/26 B. Marris		107.00	800.00 B. 80
The 2/20/20 10-14 12/22/20	G.L. Chretrus Co. 2/13/25 A. Mjortoot Eloboloss & Co. 12/23/36 S. Lovy	1000.	365.00 800.00	400.00 88.00 arr.00 6860
MOS 12/14/50	Histoleen & Co. 12/14/20 C. Long	2000.	300.00	200.00 0.00
1007/8 4/80/57	Paller Crattenden 4/4/27 M. Long	anno.	400.00	480.00 20.00
M38 4/26/27	E.B. Balline Some 4/10/57 Or Perell	30m.	-m.m	200.00 80.00
AT 6/26/27	C. Migdon 4/1/87 & Possili	1000.	200,00	200.00 200.00

BUT BY CONTRACT OF THE BA

			200			1	Afference between
Rend Wrohase	Prop	Sales Date	Sold To	rer Felue	Cook	reling Price	Cook and Solling I Fine
COLUMNO PACET	er wichten	19G., 19T	WITTIAM OF	14004 808	Me See		
E-71/2 0/10/:8	I.S. Riford	41/1	S. Arese	\$30co.	84rc-20	3880,60	1 180,00
D272 0/11/86	W.J. Hell	4/11/16	B. Lress	800.	270.00	878.00	
D/81 12/h/36 CS76	200. Pan	12/0/30	de sond	. 600 .	820. n	780.00	300.00
5266 1/17/-6	T. Poek	1/27/36	A. O-gen	600.	.800-cn	380,00	180,00
-0412 2/10/36	Empoland a Co	2/10/36	200. J. 230	den 800.	820.00	300.00	340.00
2000 6/6/36	G. Peterson	5/1/30	Ers. P. T	Jaden 100	C. 670.0	0 700.00	63.a
9107 11/15/36	C. modale Co.	11/04/36	A. Bester	800.	E78.00	700,75	125.76
D126 4/21/38	IL Cohill	4/20/10	M. Deubok	800.	BM.00	200.00	90.00
D160 10/11/20 197-251	A. C. 'llyn (e relia	a to Long	1000.	885.00	2200.or	314-00
0100-266 4/14/30	O. Johnson	4/14/20	H, 1077	10004	000.00	700.0r	20.00
1441 10/14/30 480 0/8/30 424-424 10/14/3	Vittes Carso C. Stees 5 3 Lyle &	10/1	G/36 A. Bisha	800. 800.	248-00	271. C. 275. D. 2250.00	320.00 260 346.00
100 1/27/24	Annie Beeleer	1/27/3	d & Copes	800.	225-00	880-00	80.00
165 11/16/16 0170-164 2/9/3 290-201	ALL THE RESIDENCE OF THE PARTY	11/24/	727 2.2. Jul			1000.	91.85 730.00
R150 15/0/38			1/86 1.E. WeLe		<u>1.</u>	825-00	660
mrs 18/9/59		UR VANSAN DE CON	Vision s. Ale	ebalerico.	108.00	300.00	27.0
1021 12/0/36	Sent Trettes		l/25 S. Presin		262,80	20.00	27.0
H134/6 12/20/26	Encoland & C		√36 A. S. Alm	dalor s000	. see.on	800°0.	60.00
1/V00	Sestioner &		Charliffell (Carlettine design (absolute to the				153.05
170/0 1/0/00			16 C. Julius			880-00	88.00
1/34/34		STATE OF THE PARTY	TO SELECT THE RESIDENCE OF THE PARTY OF THE				48-00
H266 15/11/36					300-00	100,00	36.60
W189/4 19/9/88				the second secon		600.00	70.00
#341-100 8/18/N	invalent & C	· NII	30 H. LOTY	8000.	\$00-00	600,10	Ph.00

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			COLOVIAL 4		AUT		DAF	therese theres
Pond No.	Turebree	'u rehesed ?res	Sales Date	301d-10	Top'	<u>Coots</u>	Solling	beliling frice
DAM CO	PTL.	THE SELECTION IN	- 1-7 H-570	P 84 184	incus, núme			
¥765	4/23/40	J. Porrey	W/28/40	B. Johnson	10 0.	160.00	10040	10.00
	11/.7/16	Enseland & Co.	12/32/36	As Hickory		282.50	336.00	62.60,
D08	4/27/40	Toda Porrey, 4	m. 6/26/40	H. John-co	800 .	78.00	60%10	8.0r
	1/24/10	"stoffel, Wiele	lano 2/23/36	A. Siekon	1.	1:0.00	175.00	45.00
					(t)			
							,	
-		et oppier, inc.	100 M0001M	e e en l	DECOR BOWNS.			100
	12/17/36		公司 经标识 2000		10000	7280.00	320,100	
ces	1/0/16	Hortley toger		Section of the sectio	300.	20.00	100	0.00
W549	12/2/34	Encolond à Co			3000.	217.50	-0.m	0.00
OD49	140%		• 44400	3. 30			417.80	0.00
W174/1 200-18 D127-1	2- 2/4/17	Sartley Negot	o co. 2/4/37	s. Long	adoro.	2070.00	. co. bree	0.00
810/2- 8:9/36	1/4/27	Respelph à Co	. 1/20/:7	S. Low	14000.	800.re	3870.00	0.01
1004	7/17/36	netributors 3	POUP 1/10/26	H. Balob	2000.	880,08	270,00	49-46
1623/2	de la respectación de la companya del companya de la companya del companya de la	artheme, ohlen		A CONTRACTOR OF THE PERSON OF		00,00	830.00	150.00
IAAIMO	PARK FUTE	FF1CY BUILDING	CORPORITION.	147 IN 19641	e of Incom			•
96	7/9/36 7	.C. Bosses	7/23/36	C. Jelimos	m 600.	128/00	280.00	126.00
				6			Total	

				200.77	OT RETTER CONTAIN		:#:	PROPERTY OF THE REAL PROPERTY OF	(ference
	1	Peroleso Pale	Declared from	Sales Pale	2014 To	Jin.	يجال:		Cost and Salling Price
	-	STATION PO	OF OFFICE MAR. CO.	Parlet !	nesses of con. The	M. DE	a ,		
	mes .	WW#	Stela Brenne Co.	1/5/36	i. Ticken	12000.	\$57.50	f e25.00	9 07.50
	700-003	0/22/25	Makey Dayle Co.	2/24/35	C. Zuleelüer	2000.	670.00	860.00	20.00
1	406	2/1/05	G.L.Obratron Co.	2/7/26	J. Late	1333.	862.60	362.50	0.00
		0/10/26	Encoland & Do.	1/4/36 0	- C.P.Lylo & Co.	1000.	340.00	340.00	20.00
	245/4	4/14/16	Bead Trailing Corp	. 1/15/55	E. 2007.	2000.	640.00	853.00	10.00
	114/2-	1/80/88	Perall Bres-	0/0/35	E. Long	8000.	914.00	975.00	.00.00
	40		Stele France So.	0/0/16	L 1007	1000.	23.00	825.00	10.00
, .	Bell	N/VS	State Bresse Co.		B. low	1000.		\$25.00	14.50
	2019	1/1/35	Section & Co.	1/0/36	L bile	2000.	710.00	730.00	10.00
	Bars/s	12/4/35	Mater Dayle Co.	W2W2 /	F. 014	1000.	612.50	EL5.00	1.50
	-	4/4/8	Ingers & Trees	M/7/36	Hickey Barle fo.	1000.	400.00	480.00	20.00
		0/22/25	Below Dayle Co.	10/1/27	Bro. L. Clute	1000.	427.30	445.00	7.0
	_	0/15/36	Breeland & Co.	0/24/36	Bre. L. Ciule	1000.	487.50	465.00	77.50
	03	12/0/36	Being Deple Co.	12/10/86	0	2000.		1280.00	225.00
		1/14/35	P. Debots	7/20/26	Purall Brass	500 .		. 141.00	6.00
	Bel	2/19/36	Motor Perle Co.	M29/36	-Mileon Mehor	800.		212.50	15.00
	ma .		Addison Sichos	E/24/24	Try Tomoral	500.	212.50	250.75	28.25
		0/23/36	Elekar Dayle Co.	9/25/36	Ney Townsend	1000.	427.80	477-80	80.60
144		1/1/36	Blobar Dayle Co.	6/25/38		1000.	427.80	677.30	80.00
,1	20	8/18/W		7/31/34	T. Preiseal	1000.		472.30	78.00
		1/20/20	Park Symples for the same	N/I/M	E. C. Ooble		347.80	425.00	W7.80
	W77.0		Escalant & Co.	2/12/38	C. Julianes	1000.	854.00	485.00	70.00
1	200	0/20/25		0/20/33	R. Milbert	500.	270.00	170.00	640
		0/25/25		4/11/36	L. Curtis	400.	215.76	282.80	40.75
	240	Photo Land Control	Hotor Dayle to.	0/23/33	A. Mesibura	630.	E13.75	252.50	40.75
	-		B. Lary *	a/es/sa	W. Townrend or together with 274	800.	213.78	250.75	25.00
		0/0/25			W. Lary			161.50	4.5
			Exected & Co.	1/1/18	Mittyo Kulp	800.	177.80	100.00	ZCCC Relationship (22)
					Mrt. Frank E. Srom			202.50	0.00
		1/1/16		1/12/10	Paroil Bros.	119		885.76	23.75
	10 C 10 19 19	A 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		STATE OF THE PARTY		11 11 11 11	CALL BUREL	THE RESERVE	AND MAN TO SERVICE AND ADDRESS OF THE PARTY

THE PROPERTY OF THE PERSON PROPERTY PRO

242-267- 5/25/60 M. Johnson 240-275-220-231 1/23/40

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PT COASE OF SELES BT	
and the second s	
Contain Collision Contains	
PALER . PACILITIES REALITY TRUST GROUP	

Bood P	urebase fate	Parebased From	Sales Date	514.30	Par Talus		Solling Price	
		LUCING COMPORATION.	:41 1010	GAUG ST FROME D	OBLOS:		!	1:
/==17-181	7/13/57	G Diretrae Co.	9/11/57	Soco Turis	\$1000. \$	210.00	213.00	0.00
pess-325- 454		J.V. Porpie	0/11/67	Acce Tarin	8000.	400.00	400,00	0.00
J480.	5/14/86	H.S. Rupert Co.	6/14/85	A. Metex	1000.	.580.00	800.00	180.00
0884/5- 1802-348-	6/15/36	E. S. Ruppert Co.	5/15/85	A. Rickez	8000.	1080.00	1500.00	400.00

· ·	(B)	CONTROL (ALL PROCESSES AND ALL	on ma	1 4785
		MAT AL 1978 Se Sans	- Marie 14.	PARTY CONTROL OF THE PARTY CON
/4/11/m				
latielle Johnson			200. 100 ED.	
	CR (A)	mills described the form of the property of th		
		the C. Julianum Co. 6 00 V/11/00 So 600 SS Smoonged(6/11/00 st still John Sari for (850 strick		
		for FRE spices and given to the below the below self below self below depth for first.		
		TANA ON TO SELECT		

Page 1

Palatine PACILITIAS REALTY THEFT

SECURITY TRANSACTIONS BY STREET JOHNSON

Sales.	Security	Bond	sole To		Parchases From	Par	à Per- chase Zrice	esles tamat		ost med colling Price
	Feceral Secti- ities Hearty Trust, Chares of Penasicial Interest	.No.	A. Care	The state of	Colonial Escurities Company		54		₹ 500.00	
1/51/55	Chicago P.O. Service Bidg. Corp., lat Mags. 55 Cur. Income Bonds	Recor		7/81/85 1 Co.	Colonial Securities Company		•	\$1200.00	1090.04	109.00
JV/87	Columbus Parcel Post Hidg., Inc., lst htgo. 645 Income Bonds	•				See 1	salov.	•		
		575	Exchange 97 and 90 as per a	8 4/11/6	Colonial O Securiti Company	1000.	36-1/2	1000.00	565.00	636.00
41/21/10				11/1/30	D. Evens	500.	96	475.00	200.00	225.00
(1/4/40 (1/4/40			Exchange for 439 & 480 with Saward S		Colonial Socuritie Company of Soj.	# BOO.		800.00		
	• {	480	Svebeda		Colonial Somritio Company	188 :	***		185.78	27.37 27.37
1/14/00	\	160		rice. Loriginal		500.	100			
	\•	461	Exchange with John for #251 was given L. Brico	which a to	Colonial Securitie Company	a00.	26-1/2	500.00	182.80	M7.#
1/19/40	•	256	Issuer	1/10/00	Colonial Secur.Co.		88	450.00	290.00	180.00
	•	257- 259	H. Lovy e 55	1/24/40	•	1000.		\$80.00	495	0.00

CAMBIT III-C Page 2

SECURITY TRANSACTIONS ME MERCLE JORNSON MAT 24. 1935 to DE

Sales Date	Committy	Nona No.	told To	Purebase Deta	Purotaeed From	Par Value	ries Price	Sales		Court mai
s/27/60	Dulins Parcel Post, Station,	M355	- 1	5/25/40		\$1000.		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Marie VIII	00 \$ 80.00

Tasuer : 5/25/43 800. 1# 10/1/40 105.00

8/14/40 Ferry Stetion P.O., Inc., 2nd Htgs. 15 income Sonds 197-Colonial 5/14/47 Coab 1000. 80.00 198 Securities

Quincy Station 1146 * P.O. Bldg.Corp., had Stgo. 56 . 7/27/36 Colonial 509. 22-1/2 Securities

4/10/40 ¥161-Ismer #/10/47 A.T. Powell 8000. 1500.00 1800.00 162-163

United States S64-365- Ismust 5/25/40 Colonial 8000. 15-1/2 Bidg.Corp., 592-398.
Ist Page. 56 458 Co.

242-k47- Issuer 5/25/43 248-275-293-201 5/0/40

Federal li/4/56 kartin Tauber & Co.

* This bond given to Valerye Aloridge as a birthday gift and sold by her on 9/10/87 at 55.

115

11/4/36

PEDERAL PACILITIES MEALTI THUST

Sales Date	Somety	loo.	Sold To	Purchase Date	Par. Pres	Par Value	Sales Amingt	and/	Profit or Loss
דרשנש	C. P. O. Ist 5% Bond	1014 10108 10287/8	001.	12/25/36 12/25/36 3/6/37	Colonial	1,000. 1,000. 2,000.	300. 300. 600.	200. 205.	100. 95.
3/10/30	C. P. O. 2nd Bonds	D104	lesser Bot sol	10/30/32	J. E. & Colonial	200.		20.	0
12/20/30	Columbus P.P. 646	189 } 265 }	Iconor	4/14/30	Colonial	1,000.	850.	700.	150.
12/38/38		117 124 160-197-		3/22/38	M. Johnson	500.	1500. 490. 1275.	1200. 475. 1200.	300. 15. 75.
Bot Sold	Parcel Post Ist Mgs.	M241	Holds	3/21/30		2,000.	ō,	400.	•
lot Sold	Pareal Poet 2nd Mgs.	163	- 100 m	3/32/39		1,000.		200,	
VVST	Porty State Post Office Let Map.	ion Mos.	to	אליבונו אליבונו אליבונו	• •	5,100.	D,530.	9,141.50	4,342.50
					100			Talbs	457.00

PADAM PARTLITIES BANGT THEST

BAR & SALLY LEAVE

Loss	TOTAL PROPERTY OF A SECOND	eles Cor	-	o Par Valu	from	Pereba	d Seld	mrity Bond	in Se
	200.	115. 2,00	.) 23			- W12/			24/1936
				THE PROPERTY OF THE PARTY OF TH	for		17 } 37 }	ret 71	
				er Hanes go. bonds cost	COLUMN TO SERVICE STATES		78) / •		
	162.50	State of the state of the			12,30		ID)	() 1	Note belo
1082	162.50	016. 2,10		Er. Jarro	415 #14	mge lor l	were exch	142 and 100	·Boto 6
					se. Co.	Colonial S	mae from (derer, and the	D.
	162.50	2,10		Er. Parro	lieu of	lome is	ear sold to	mfore M415 s	A

498

EXID 12 1111-9

448

PRUTRAL PACILITIES MA TT THOSE

MAY 24, 1986 to DECEMBER 31, 1941

Balos Báto Security.

Bold To Date

Price Telue

. 101-

by Silbert Johnson (Brother of Byrtle Johnson) and Frances Johnson, his Wife;

Columbus For- 177 (Sed Myrtle 11/3/30 Colonial \$ 800. 86 eal PoetSidg., Johnson Inc., let Hige.

schedule; to; Sold to Issuerby Myrtle Johnson, 11/28/29 at 55 for 1478.00)

4/14/20

Colonial 4/12/48 3.8. Ohr-Securitos Co. strem &Co.

1000. 100

26 4

\$0000 rt/12/38 09L. Ohr-Service Sta. Bldg 107 latifice. St. 108 Incom Sende strom ACO.

4/84/88 Twesty-Second 13 Coloniel 8/14/38 Unk Fark
Staffa. Bldg.Corp., Secur. Co. Trust &
let Stgo. 35
Income Boods 100 Trust & Sevings Senk

26,50

stal \$ 236 50

11,7

Total by Pages of Difference between Cost and Selling Price of Securities Transactions Contained in S.E.C. Exhibit 5 . 449

Pederal Facilities Realty Trust

/**					000 00
p.1 p.2					878.50 695.00
p.3					304.19
p.4				1.	452.16
p.5	#4				245.50
p.7					570.00
p.8					2.778.75
p.9 p.10	8	°a			1,285.63
p.11				$\angle : \setminus \cdot$	600.00
p.12					2,722.50
p.14					765.00
p.15					5.257.50
p.16					2,112.50
p.17				1	2.0.50
			VT. (1	Total \$	21.702.46
	ARTHUR THE TAXABLE PARTY OF THE	The second secon			

200

MATTORAL BRALST TROOP

450

COLONIAL SECURITIES COMPANY wish BATTORAL BRALTY TRUST OF SUBSICIARIES

Sales Becurity Be.	*archase	Perchased Par	Sales Sales Price Associati	
6/7/40 Armour Station 5-22 Eldg. Dorp., los Stgo. 86				
Legens Books		50.		

18/24	30 Japtia Stati	on Metry Tome	r 5/9/80 T.	R. Val- 2000.	40 800.00	780.00 80.00	
•	let Mgs. 16	240		100			
	Income Binds			\			
12/1/	• • •	HANG Isme	r 11/22/30 R	lekey & 1000.	40 .00.00	80.00 80.00	
			•/	mpeny			
5/15/	• •	D-05 Bette	mal 1/18/40 Fr	red Shert 800.	40-1/2 802.50	200.00 2.50	
4/10/		2000				190.00 10.00	

		1					,	•	1.0	1	1
	L/20/00 I	motte Stat	Lien H-E	Lemer	1/20/40	Peller,	1000. 11	121	0.00	195.00	15.00
		MAg. Corp.	12			Ori Stanton		The Mary			(
1		MAG. Corp. Ind Mgs. I	7 . 1			e co.	-	-/-/			
	THE CONTRACTOR		1					1/		1	1 -1
	W/O		B-14	Lemer	4/30/40	Casuall	1000. E	/ 8	00.00	180.30	
						4 Co	1. 1.	/			
	73: 516,935 3503	200		Part of the last	7 13 11 14 15	THE REAL PROPERTY.	· 2 / 1 / 1	/			

6/27/57 Berrys P.O. E18- Insuer 5/18/87 Berrie & 2000. Bt 700.00 400.00 300.00 Bidg. Gery. 20 Company let Bigo. 35 Lacono Bundo

. 501

		Sold To	Late	From	Value	Price	Amount		Frice
	1				1		•		
pivision & La pldg. Corp., of Mtgs. 5% means Bonds		Issuer	5/14/86	Warie B. Rink	\$1000.	46	\$450.00	\$400.00	\$F0.0
•	H165	leguer	5/14/36	Ruma S. Helberg	1000.	45	450.00	400.00	50.0
• \ •	D51	leruer	1/:1/39	THE RESERVE OF THE PARTY OF THE	- 500	1	194 00	124 00	**
• \•	M103	Ismor	6/12/30		rt 2000				100.0
• •	D71- 72	Ismer	6/11/29	Smeet C. Tyley	1000.	40	400.00	350.00	80.0
1	1278	Issuer	6/14/39	Bond &	1000	40	400.00	350.00	50.0
		leswer	2/17/:17	DeSoung Larson & Tornge	2000	50	10 0.00	960.00	40.1
n. Income Bo	M32- 03-34 35	Issuer	12/5/38	I.M. Simona Co.	4000	521	2090.00	2080.00	10.0
	and Rapids P. Bldg. Com	mand Rapids M3 P. Bldg. Corpp6-32 It Mtgo. 46 Im. Income Bonde	miles lessor B165 lessor B165 lessor B165 lessor B165 lessor B170 lessor T2 B178 lessor B178 lessor B178 lessor B178 lessor B178 lessor B178 lessor	# #tgo. 96 #162 Issuer 5/14/36 #	#165 lesuer 5/14/36 Merie 5. #165 lesuer 5/14/36 Merie 5. #165 lesuer 5/14/36 Merie 5. #165 lesuer 1/31/39 & H. H. Mere dith #165 lesuer 5/12/39 Albert What #165 lesuer 5/11/39 Symost C. #176 lesuer 5/11/39 Bond & Goodwin #176 lesuer 5/14/35 Bond & Goodwin #176 lesuer 1/4/35 Bond & Goodwin #1776 lesuer 1/4/35 Bond & Goodwin	# # # # # # # # # # # # # # # # # # #	### ### ### ### ######################	######################################	### ### ### ### ### ##################

BATTOMAL REALTY TROOT

COLONIAL SECURITIES COMPANY with RESTORAL REALTY TRUST or SPRINTARIAS

Sales		Boad	Paroline	Banahasad				etron
Pate.	Segurity	He Sold	le lete	_lm_	Salas Ex	-	Cost .	
4/30/40	Los Angeles. Service Station		4/11/40	Encolund .	\$ 800. 15	8 78.0	0 8 85.00	
	inc., let Hige.							

\$/25/54 Ogden Park M388 P.O.Mdg. Corp.,	Darros- 9/12/84 Chairean	H.J.Bred- 1000. orisk	17-1/2	175.00	90.00 85.00
Lat Hige. 25					
0/30/54 * * H56	Darrow- 6/21/82 Chairman	Hickor, 1000. Deplo & Go.	17-1/2	175.00	128.00 80.00

12/21/27	ities,	Pacil- Inc., go. 5g5		Issuer	8/20/37	Poller, Crittenies & Co.	1000.		800.00	40.00	60.09
8/31/30	•		H405	Issuer		Anolia School toor	1000.	••	•00.00	556.00	6.0
8/31/30	•		M187-		11/17/87	Print B. Calm & Co.		•0	1900.00	1860.00	45.00
8/83/80			M364	Ispuer	3/29/88	Virginia Van Borno	1000.	80	•00.00	880.00	80,69
W2/10		•	M205	Ismer	1/4/10	P.F. Jox 4 Co.	1000.		600.00	800.00	100.00
440		•	1147	Issuer	5/29/20	Elmer C. Coroll	1000.	••	000.00	800.00	105.00
4/80/80		•	#205	Issuer	6/9/97	Regere &	1000.		600.00	410.00	190,09
4/10/16	•		B422	Isquer	4/20/20	Harte Vald	1000.		600.60	869.00	80.00
6/22/30	•	•	D42 ,	Inmer	6/20/28	Corrie Victory	800.		50.60	202.60	17.60
0/22/20		•	B44	Isour	6/16/20	Estherino L. Gen	1000.		899.09	860.00	8.0
0/22/30			W1.26	Ismer	6/20/86	May Hollon-	1006.	80	200.00	888.00	-

BATIONAL MART THUST

SECURITY TRANSACTIONS PT

COLUMIAL SECURITIES CONFANY WITH BATTOWAL REALTY TRUST OR SURSIDIALIES MAY 24, 1925 to DECEMBER 71, 1941

Sales Date	Somrity	Bond Bo.	Sold to	Purchase Date	Purchased From			S-les Anoust	Cost	Difference Between Cost and Selling Price
e/:2/38	Postal Parities, Include Higo.	ik	lasuor	4/22/20	Carlyle Mutschler	#1000.	50	\$ 580.00	1 800-00	\$ 80.00
0/1/30		. 3440	lesuer	4/22/38	Garlyle Mutechler		•	600.00	100.00	17.00
0/1/20	•	* D96	Irever	6/3/38	Genevieve Cook	600	60	30.00	250.00	50.00
0/1/30		* D04	Issuer	W2W=1	Erre Bur- meister	. scc.	60	200.00	262.50	37.50
0/1/38	1	. H212	Issust	5/3/38	Hettye J. Cedy	10° 0.	60	600-(4	b15.00	85.00
4/1/28	/ •	" M37	Issues	4/27/39	Bestrice Cannon	1000.	60	600.00	£20.0°	80.00
0/1/30	•	* W15- 16	lesuor	6/10/28	Stein Bre		60	1200-00	1185.00	16.00
0/0/38	•	plos- 106	I navo r	e/9/38	Porrest E	. 10:0	504	692.60	190.00	2.60
11/22/36	•	#61	Ieme	11/22/19	Lilley &	1000	. 55	660.00	510.00	40.00
12/16/30	•	D58-	Issues	12/13/18	3. L. Ohr		66	880.00	527.60	22.50
12/1 6/30	7 . 0	- D101- 102-1 104		12/12/50	Stein, Bronnen & Co.	2000	. 55	1100.00	1045.00	65.00
44/30		D47- 93	lemer	8/10/37	J. P. Rell	loy looc.	. 60	•0.00	430.00	170.00
2/16/39	• •	008	lemer	6/10/37	J. F. mil	ley 500	. 86	275.00	215-00	60.00
2/11/20	• •	g385	lerest	2/10/30	William C. McConnell	1000	88	55C+0	650.00	20.00
2/15/30	•	184	lessor 6	/25/37	Regard &	1000	58	860.m	420.00	130.00
VV»	• •1	1116	Noticed.	3/7/20	ley Br.	- 10-0	88	560.00	540.0C	10.00
4/4/30		121	loomet	10/6/37	Borbort E. Greene & Co	ano.	60	300.Du	530.00	00.00

See Many

BATTOBAL BRALTI TRUST

SECURITY TRANSACTIONS BY COLONIAL SECURITIES COMPANY WILL RATIONAL BRALTY TRUST OF SUBSTITIANTES NAT CA. 1835 to DECRESE A. 1841

									be	ference toom
Sales Bales	Samuelly				Purchased Free					Selling Price
6/15/30	Postal Facil- itios, Inc., let Bigo. Set Can. Income S		lanur	5/15/50	Sursua Evouritie Co.		57	\$ 570.00	\$ 545.00	\$ 25.00
8/17/30	• •	M396	Tsouer	5/16/30	Ptiol - Middleton	1000.	57	570.00	550.00	80,00
7/5/30		1281 2-5-		7/5/30	H. Lovy	5000.	50-1/4	2912.50	2900.00	12.80
1/12/10		W399	Ismer	7/7/39	Haude H. Brown	1000.	80-1/4	582.50	525.00	67.60
4/20/38	• • •	10,89	Tesuer	4/25/28	D. 9./111mm	1000.	60	600,60	520.00	80.00
2/9/40		W38-	Tasuer	2/3/4	Lilley &	2000.	52-3/4	1055.00	1050.00	5.00
7/8/38		H335	Topuer	7/5/38	Stella Vincent	1000.		580.00	550.00	20.00
1/17/30	•	W178	Issuer	1/17/39	Dunn & Co.	. 1000.		580.00	527.50	22.50
1/17/30		W330	Issuer	1/16/38	Geo. Roya	1000.		880.00	580.00	20.00
1/19/10		W425	Temer	1/16/25	R.P.Capool	1000.	55	850.00	840.00	80.00

MATIONAL REALTY TRUST

455

OCLOBIAL SECURITIES COLPANY WISH MATICAL REALTY TRUST OF SUBSIDIATING MAY 24, 1935 to DECEMBER 31, 1941

						3				otenana atenana
Sales Bate	herity .	Bond		Perchase	Purchased Pres					Price
10/1/37	6029 H. Clark St. Bldg. Corp., let Hige. 36 Income Bonds			9/29/37	Lone D. Educations	1000.	8 35	8)50.	1300.	690.00
2/24/36	•	M63-	lone	2/23/38	the Medicy Adm.	1000.	30	300.	250.	9.00
% 14/40	6748 Orunden ave, Bldg, Oerp. let Htge, 38 Income Sonds	937	loner	7/9/37	O.R. Wef als	500.	3 0	150.	12.	25.00
9/23/35	Finder Shore Eldg. Corp., lat stgo. 35 Income Bonds	57 0	loner	4/25/55	Stein, Branes A Co.	500.	2	105.	100.	5.00
%14/37	• •	0237	1100	425/35	Valter After	100.	25	25.	10.	15.00
7/10/39	ର୍ଷ ବୟ	0107- 108	lomer	5/27/38	Valter Looky & Co.	1000.	IJ	150.	130.	20.00
4/30/40		B44 47	loner	4,30/40	Coswell &	1000.	25	255.	250.	5.00

				. / -	. 0	
	· ····································	LINES ME JALES SECRETI O COM L RULLEY JEWET	FANY		456	-ifference between
No. Date Purchased From	Let onlik	Sold To	Value	<u>ivet</u>	**1:ing	Selling Fries
74- (Numbers eachwared 299-370 (for #798 and K441)	6/5/35	1. Vreenling	92,00	40.00	**************************************	170.0
5305 8/14/24 P. Manabach	6/. /76		500.	75,m	9K	17.00
D146 7/9/26 A. Compton	7/9/26	1.R. HoL in	scc.	sec. c	20.2	0.00
5:44 10/25/36 M. Hellenbeck 1	10/-1/38 H.	L. Robinson	100.	OC.OC	200.	v.or
D102-1 9/23/6 Stein, Brennan Co	0. 9/23/35	M. Doubek	1,00	245.00	ibo.cr.	5.0.
156) 10/1/16 H. Doubek 1	10/29/35	J. Korral	1,000	250.00	400.00	50.00
#398 7/1/54 Erms Johnson 1	7/1/26	C. Juliusson	1,000	480.00	500.00	20.00
6164) 9/25/36 Stein Brennen Co	0. 9/23/36	N. Doubek	500.	172.50	175.00	2.60
(10/51/56 M. Doubek 1	7/2/26	C. Juliussen	100	175.00	250.00	78.00
W441) 7/10/36 E. Johnson 1 D86-) 357)	7/18/36	L. Bleir	2,000	980.00	1000.00	∞.œ
D10 7/10/36 H. Eulp 1	7/10/26	L. Blair	50C.	245.00	860.00	5.00
DSS- 7/18/36 G. H. Murphy 1 65- 1 165,	7/10/:6	L Blair	1 ,600	780.00	750.00	0.00
1306- } 8/6/36 H. P. Donnett (V4/36	Addison Hickor	2,000	800.00	1000.00	200.00
1577 0/6/36 H. P. Bonnett	8/11/36	G-H- Me LAIR	1,000	400.00	600.00	100.00
1279 4/5/36 4. P. Bennett (0/0/36	L. Goldman	1,000	40r.00	450.00	80,00
M378-) 6/6/36 Z. P. Bonnett 380)	0/28/36	G. Juliuseen	2,000	800.00	100.00	200.00
2415) 9/18/36 R. L. Eorl 414) 416)	6/24/33	A. Mekoz	3,000	1010.00	1500.00	450.00
Direc 10/15/37 Selected 1 109 Inverteent Co	10/14/**	In Coldenia	3,000	900.60	1186.00	288.00
pls0- } 1/12/88 Gilbert Johns	m 1/1/38	& Ongan	1,000	450.00	480.00	c.00
D145 -) 2/23/86 Mn. Halory, Ale 164) H. Doubek Ert	. 3/31/38	C. Juliucom	1,000	300.00	450.00	160.00
					tal	4180000 ·

Server!

PURDRAGE AND SALES BY COLUNIAL SACURITIES COMPANY SATIONAL REALTY TRUST CHOSP

ABSTIR STATION BUILDING COMPORATION. Let NORTGAGE BORES

Difference between Cost and Selling Price Sales Purchase Parchasel from Talue Prim 1014 To 506- 4 547-415-414-416 Louis Galden \$5000. \$1,750.00 \$2,050.00 Addison bleken 8/7/88 · * 37.00

BARNTH POST OFFICE STILLIES COSPORATION. BA STETGAGE STREET

1/15/80 Paller Gratienden 1/16/80 Darros-8 Co. Gratienden 1/16/80 Darros-80.00 - 38.00

GRAND NAPIDS PARGE. POST INTLINING COMPONATION, Las MONTGAGE ROBLES

Curtis H. Tylio, Trust 1000. 8/8/80 Milley & Co. 500.00

PU CHASE ARE SAME BY CUMBIAL SACURITIES COMPANY BATTONAL MALTI INDST MOUP

Boad	Purebase Pala	Purchased From	Seles Esta	Sala to	Par	Cost	Solling Price	teteran fort and Balling Price
ADSTIT	STATION	SLIG. COPP. 15T	HOPTGAGE.	14 :100hz iva:	(Com')		6	
167- 60-69- 70-71- 72	a/21/39	L. ables	3/31/30	S. Cabill	25, 207.	22 175.00	\$2490.00	1 D.600
A12-74	1/21/30	a. ables	\$/\$1/30	C. Juliussen	2,000.	725.00	900.00	178.00
√ D281	1/0/80	R.L.Robinson	7/6/30	C. Steinbec	sio.	224.00	297.50	12.00
1008	7/27/30	Gilbert Johnson	7/27/30	H. L. Robinson		225.00	225,00	0.00
1418-}	10/17/80	4.7. Trust 30.	13/17/30	L. olajen	2, 30.	980.00	80.00	5.00
3420	10/17/80	S.T. Trust Co.	10/17/38	h. ioliana	1,300.	440.00	450.00	10.00
, den	10/17/30	S.I. Trust Co.	10/17/38	C. Steinbech	1,000.	440.00	675.00	M.00
/mez	11/12/20	Gilbert Johnson	11 √1√\$6	G. H. Avenin	500.	225.00	225.00	0.00
18422	17/52/20	E.Y. Trust Co.	11/24/30	Se Zerale	1,000.	• 40.20	480.00	10.00
- CONTRACT	x			Dr. Loross	2,000.		>∞.∞	
7100]	1/19/30	Asselsed & Co.	1/19/80	lGran	1,000.	350.00	480,00	100.00
194	1/10/30	•	1/19/30	6. Julies	1,300.	\$50.00	480.00	100.00
-EE01	1/19/39	• • • • •	1/26/59	John Bard	600.	176.00	225.00	80.00
/B279-) :80 }	1/11/10	F. Austries	2/10/39	b. b. Francis	1,000.	840.00	480.60	100.00
Xias	~11/m	h. Johnson	41400	C. Steen	1,000.	430.00	41.00	14.00
50-) 81	4/10/30	I. Salp	4/12/30		3,000.	1200.00	1257.80	R.0
125	7/21/30	S. C. Tyley	4 2/ 8 0	C. Juliuson	1,300.	•00.00	40.00	
124 }	7/21/30	J. B. Plan	0/1/10	W. Juliuses	1,000.	400.00	480/.00	8.00
DS86 }	10/25/85	M. Mallembeck	10/25/35	H. L. Sobiassa	800.	800.00	200,00	•••
-1.1	12/25/30	B.T. Trust Co.	12/23/36	C. J. Burchardt	500.	250.00	225.00	
pate	11/23/38	S.I. Trust Co.	11/15/90	• • •	800.	220.00	225.00	6.00
J276	1/0/45	. Compton	7/9/35	G. II, MCL4.8	800.	200.00	800.00	0.00

459

Difference between Cost and Selling

1		Selling Price
1	MUSTIN STATION BUILDING CORP. 2 28D NORTHAND SK INCOMP BORDS:	
/	mes 11/16/58 Betate of J. Lynch 11/16/56 Gilbert Johnson \$1,000 200.00 225.00	26.00

M16	STATE OF STA	CORP., 1ST MORTGAT		1,000 200.0	200.00	0.00
M18	8/1C/36 Steelman \$1,000 bo	and Mb originally b	orrowed from	1,000 200.0	c 290. c	100.00
1		in 8/11/35 sold to pleed by M13.	Enseland & Co.			
D27	8/10/35 Steelmen	& Birkins originally borrow	ed from	500. 10v.	n 190.m	90.00

W151	9/3/35 B. L.	Kerl	9/4/35	Encoland & Co.	1,00	750.00	420.00	70.00
H152-)	9/3/36	• `	9/5/35	P. H. Puller	4,000	400.00	1600.00	۰۵۰ ۵۰۵
154-)						1		
6-	9/3/38	•	9/9/35	Enceland & Co.	1,000	350° 0	420.0	70.00
077)	1/17/26 Theo.	Book	1/24/36	J. R. Well	W 500.	200.00	20.00	0.0
3	1/31/86 J. 1	Le Well	2/4/36	kneelend & Co.	500.	200.00	245.00	25.00
1160	1/27/36 Dist	.National	1/28/36	E. A. Pierce & Co	. 1,000	375.	450.CC	75.00
-	1/27/36 A.			Encoland & Co.	***	200.00	2115 0	25.00

tal 49 400

PURCHASE AND SALES BY COLONIAL SECURITIES COMPANY BATIONAL REALTY THEST GROUP

Rend Perchase	Purchased From	Sal es	Sold To	Par Yalue	Oesti.		Oost and Salling Price
The second secon		2/9/25	ánesiana & Co.	£1,000. #	\$40.00	1490.00	****
1			J. Anuerson		125.00		100.00

CRANT	RAPILS PARCEL	POST ALLA	GMP. 1.	& Milhir Teled &	COMPLATIVE	THOOMS BORDS.
		THE DOLLARS	LINE CALL	The second second	CONTRACTOR AND ADDRESS OF THE PARTY OF THE P	ARTICLE CONTRACTOR

/mas-)	8/22/30	Minrose 1	Co.	3/21/34	N. Lovy		2,500.	1062.50	1187.80	125.00
DEL				3/11/30						
/ES6	12/4/30	I.h. Simon	9 Co.	1:/5/58	c. s o s	teinbach	1,000.	\$20.00	580.00	80.00

200-) 4/24/	88 M.Johnson,	xxxx. 2/11/3	8 A. Rickox	2,500	. 125.00	800.00	375.
10- 10- 11- 15					2.		
18						84	
1	/ss min 2431	2/11/3		400	. 80.00	100.00	
	20 27191 1171						

2					
OGDER PARK	POST OFFICE	HLDG. CORP.	. let-MORTGAGE	DE TROOMS	BOIL Life

JE180 5/10/SE	Besk & Tr.Co.				200.00 120.00
(AS48-) 11/10/55	B. E. Mrst	11/18/56	Mrs. A. Solweltser	2,000. 600.00	0.00
JESOT 2/20/86	G. R. Stone	8/20/57	J. S. Ball	\$00. 100.00	125.00 25.00
Anna 11/15/86	H. Hallesbook	11/18/86	E. L. Robinson	1,000. 800.00	200.00 0.00

PROGRAM AND SALES OF COLORER COMPANY THE PROGRAM SEALES TRUST COMP

APPLITICAL TRANSACTIONS Let MORTEAGE BORDS PARKYLOS MAROE BULLATES COMPARTS

Poole in Inil 0-10-36 Solution 6-20-36		7,800	8 278.00 3,283.76	(Opt Incl	udes (nine
7 "			1. 1	house en	hanged by
Bu Long	0-0-85			85,000	\$2,000,0
Lorate Call	7-15-8			4,000	1,000,0
Billing L-ES-89		200	ec.50°		
. Sole S-m-m		1,400	850.00		
4 foliains 8-00-00		4,000	1,000.00		
Elema 1-19-19				\$,000	900.0
40-00				2,000	800.0
44-00				1,800	410.
.B-11-00		8,000	75/1.00		
Des 8-19-80		5,307	A71.00		
10-17-80				4,700	1,800.0
hert 15-25-10				900	149.4
19-19-19				1,500	40.0
				500	100.0
	s dans bond				and the same

TYPAL PROATT -- 1846 91

PORCHASE AND SALES BY CULORIAL SECONDITIES COMPANY BATIONAL REALTY THUST CHOSE

Send Perchase Sales 4	Cost and
No. Date Perchased from Late Sold To Yalma O	Selling Selling
OGDER PARE POSTOFFICE MIDG. CORP., 1st MORTGAGE SE TROOMS BORDS (Com'd.)	
1306-) 11/15/35 M. Mallembeck 11/13/35 M. Camon \$2,000. 8 a	30.30 (600.30 (0.00

PARTI	M. BAROL J	MILDING COMPANY	101 10100	OR of THOME PORTO.				
# 975-97 975-97 979-10		C. A. Meetas	2/1/10	••	8,800.	1875.00	1408.00	110,00
/mere-)	2/10/00		£/19/30	W. & M. Landen	2,000.	500.00	600.00	100.00
#550- 606- 610	2/11/38	•	2/21/80	P. Almeroth	4,700.	1000.00	1277.00	200.00
hen	3/14/30	Sadie Bilot	3/29/39	t. Cowall	- 500	125.00	150.00	25.00
J0490	2/26/57	B. Greenfield	3/29/38	E. Pitsensn	sro.	150.00	180.00	0.00
The state of the s		H. Kulp		the second secon	1,000.	250.00	300.00	80.00
X M1005	1/20/30	C. A. Biggias	2/1/30	II. Impina	1,000.	200.00	270.00	20.08
/D001	8/15/86	B. B. Seart	5/31/39	6.V. & s. Conine	500.	25.00	130.00	25.00

M-2-) 5-4-5)	9/21/86	Burnett 4 Ven Tuyl	6/21/36	M. G. Townsend	5,000.	2050.99	2351.30	30.00
faner .	9/21/36	Lilley & Co.	0/21/36	Pre. F. A. Srowne	1,000.	415.30	100.30	85.00
(171-) 172)	10/16/36	Mickey Doyle + C	0. 13/9/38	Carlyle Mutechier	2,000.	836.00	960.00	145.00
6/10176- 176	1/14/87	L.3.011. 5 Co.	1/14/37	A. #. Powell	2,700.	985.30	ero.30	8.00
Sens .	1/26/87	G.P.Lyle & Co.	2/9/57	J. Burnelster	1,000.	420.00	485,00	15,00
do lo-	1/24/37	L. M. 0410 & Co	. 2/16/57	S. B. Timeent	1,000.	420.00	492.80	72.00
An 20-	1/25/87	L. M. Otts & Co	. 2/20/57	L. H. Reed	1,000.	427.50	4:0.00	70.00

=		Established From	Sales Bate	And A Can	Par Falms	fact	Pelling John	Mifference between fort and Salling Price
1		Makey Doyle & Co.						
-		Mekey Doyle & Co.			No.	\$ 424.00		\$ 10.00
4					600 ,	E81.75	100,00	41.25
1	M/M/11	I. F. Beilley &Co.	6/20/97	D. C. Solomall	1,000.	430,00	607.80	W7.80
A 14	934/11	Richard & Oc.	4/1/87	Constitute Cont	600.	802.80	100,00	er.50
4	444	Degre & Tracy	6/9/37	Vario Balsh	1,000.	60.00	0.6.00	106.00
		Meholom & Co.	8/14/87	& Derceloter	200.	14.0	Dec-10	44.24
4	WAY	Mekaless & Co.	4/14/87	I. Harrisos	1,000.	404.00	40.00	95.00
1400	WAY	•	4/18/87	Y. You Borne	1,000.	-	404,00	10.00
, Gero	-	La Adams & Co.	6/17/37	A. L. Cara	1,000.	410.00	670,00	80.00
1	9/10/11	II, Loty	1/2/51	G. Gradalph	1,800.	96,00	10,6	24,25
1	V=/=	•	7/2/87	C. Stem	1,000.	489,00	67.0	17.00
-	0/10/17		7/2/37	C. Stelabook	1,000.	800,00	1000.00	100-00
4	V=/=	Miley & Co.	7/2/87	C. Stem	1,000.	450,00	40,5	7.0
1	*///#	legie O'Connor 4 Co	. 7/2/57		1,000.	480.00	47. 50	4.0
/##	0/20/3F L	Alley & Co.	0/9/37	G. E. Meleta	1,000.	480.00	00,000	70.00
/==	0/20/27 .		9/20/27	D. S. Alm	1,000.	480.00		74,00
Man-	9/30/10		8/20/51	L. Glas	8,000.	n	800.00	880,60
1	N/11/07		9/25/57	a. 1017	\$,800.	1805.00	1671.00	70.00
-2=	:"-	•	aj maj mi		= .	E1.3		
/EG-)	424/2	• 1 •	9/9/37	6. Lary	4,000.	170.0	. محت	MO.00
, 9)		" of			24		
4	A70/21	A. Stotes	9/20/11	L. Collins	2,000,	1000.00	ALTON O	0.00
/max }	9/11/8	A. S. Possil	9/11/97	4. Lee	£,900.	100.00	10.0	••
1	1/21/17	H. S. Groups & Co	. 9/20/21	1. 4144	8,000.	001.00	1000,40	118.00
- 46	L with		,					10

PUPPALA A TITE XI ANT MATERIAL AND THE PARTY OF THE PARTY

Bond Purchase	allers of the second of the	Sales Date	Sold by	Per Value	<u>0ost</u>	Selling Price	between Oost and Selling Frice
POSTAL PASTLITT	ES, INC. Let MORTO	من ونز عمد	WATE INCHE	PCTD9. (0on14.)		
1014-) 9/25/37 317	H.E. Oreme & Co.	זמ/מו/מו	A. Goldman	12000. (885.00	Pen.00	\$105.00
M53 } 9/40/36	P.F. Pox & Co.	9/10/36	7.5. 300	1000.	410.00	470.0C	40.00
320/28/37	P.E. 0019b	11/12/37	H, Levy	1000.	430.00	900.00	70.00
10/20/37	••	11/12/37	• •	1000.	430.00	900.00	70.00
MAN 11/12/77	E.S. Greene & Go.	11/12/37	•	1000.	445.00	500.00	55.00
מל/דג/ענ מש	F.B. Cahn & Co.	11/12/37	M. Lovy	1000,/	450.00	500.00	50.00
mes 0/20/37	1411 oy 4 00.	8/25/37	• •	1000.	430.00	450.00	20,00
mit 10/23/35	Paller Redney & G	b.10/21/35	H.O. Townsend	1000.	465.00	487.50	22.50
META 7/5/35	mothie & Dissol	10/23/35	•• •	1000.	472.50	475.00	2.50
ms 4/21/34	Encoland * Co.	0/71/36	• • •	1000.	410.00	470.00	60.00
10/23/35	Paller Redney & C	b. 10/23/°	50 0 0	1000.	465.00	545.00	80.00
EN 4/2/37	O.A. Alberto & Oc	. 422/37	Mrs. K. Gartung	1000.	420.00	540.00	120.00
mes 10/23/35	Puller Rodney & C	. 10/23/3	5 H. O. Town send	1000.	445.00	545.00	80.00
BHOS 5/10/37	J.P. Bellier & G.	. 5/10/77	A. Schooltser	1000.	430.00	497.50	67.50
10.87 0/20/37	Lalley & Co.	6/2V)T	Gert, Johnson	1000.	430.00	500.00	70.00
M30 2/19/97	Mokey Doyle & Co	. 1/14/17	J. Darmetster	1000.	425.00	435.00	10.00
E202 5/20/37	Rogers / Troop	9/20/37	E. Viteman	1000.	400.00	500.00	100.00
m91 4/20/37	wing & co.	42437	6. II. Maroves	1000.	430.00	500.00	70.00
mm 1/30/37	Heffeel & Co.	49/37	Carrie Flekreg	500.	210.00	242,50	32,50
The same of the sa	P.P. Poz 4 Do	6.16			in .		
42 4/11/2	L. Olute	4/14/38	L. Coldean	3000.	1,500,00	1575.00	75.00
100+ 23/24/37	0. P. Lyle & Co.	1/14/77	L. Male	1000.	490.00	500.00	70.60
- JANAN	IL Cutting	414/38	L. Coldman	1000.	500.00	525.00	25.00
1071 4/1V3	Albert Johnson	415/38	L. Coldman	1000.	900.00	525.00	25.00
MI 4/19/77	Mekalesn & Oo.	42/71	E. E. Corell	1000.	405.00	487.50	82,50
BM 9/10/77	J.F. Realley & Co.	//×	Omeriere Occi	500.	23.00	250.00	35.00
104 5/20/57	3.7. malley & Oo,	. Ways	2. Paradeter	500.	23.00	262.5	47.50
DU 9/2/77	LL trees & Co.	9/20/37	Bettye Cody	1000.	42.9	50.00	7.5

			and the second			
CH .		Contact Co.	Market School School			
		Liste	Mary Comment		400	
Bank Province		Sales			SALLANI	
SOUTH FACTORIES	TERLANDER	120 00	and the state of t	V		
. ser 1/11/0 ti	Carried Manager Control of Control	WINE.			-1-4	
mes-) e/10/44 A.	F. For 4 Co.	9/10/36			C 100.00	August 1
MAIT E/10/57 5.	P.Retlier & Do.	5/10/11	N. Jary . W. in the		a, a a	
21.57 W25/57 No	gare & Tracy	0/30/31				4
21.21] A/24/25 W.	G. Tomored	6/16/96	Rickey Dayle & Ca.			
per surare a.	*. Igle & Co.	1/20/27	L Bale			
#61 0/20/36 ft	eker bayle 4 Co.	0/25/36		1.4		
1/25/07 0.1	Po lgia a Co.	1/30/37	Address, Jr.			
2 mm 4/0/2 i.	E. Popul	1/17/37				
men harayan an	ller Spiltenden	12/22/36	Hard 1			
I VVIII i.	Mary Comment of the Comment	1/14/5	L L (mill .	10.		
mil Naha se			P. Orthon	1,500.		
an even r	Cantida	e/13/35	Peller Guttibles I Co.	and received	and the second	
MIN 0/19/20 May	y McCouncil	6/15/56		1,000.		
2011 0/20/25 E.	The state of the state of	6/10/84		1,000.		
Des 9/26/25 W.	Y Y	0/18/36	Makey Dayle & Co.	1,000. 20		
Mas 4/24/56 4.1		6/18/56	en assista	1,000. 40		
ACC NOVE L		2/0/20	R. Janean Baller Crutteries			, ·
CHARLES OF THE SECOND STREET, TH	a. Tompsed okay Doyle & Co.		& 6.	1,000. 11	50	
WW L		W/30			.00	
			Mary to C. Johnson			
	P. Lyte y So.	UNT-		1,000. (1		
. 47 .	State Stay	dill.				ALL ALL
	企业,但是	MAN			.50 07.00	
ALTERNATION OF THE PARTY OF THE		10/14/16	lgie & Co.	1,000. 41		Participal Control
	Aligio I to.	VAN.		100. 41		
	M. Wolling & Co.		TO STATE OF			
The state of the s	a. E. Pies	11/19/19			1	\$865.00
		-			Idal	2000.00

	100 m		<u>.</u>			
Parvison Parvison Propherod Prop	Sales 	SALIA (200		
THE PROPERTY AND PARTY BASE, DIRECT	1 81 805TGL	GS 25 IRODN'S ROUDE'S				
/Blic S/AS/SY to Libroro & Co.	9/12/57	1. Column	\$2,500.	165.00	40.00	
/161 1/17/65 Amberson, Flots	W27/57		2,000.	200,000	60.00	
10-02)						
Salle Marke b. A. Paurlam	5/3/38	P. & E. Alesroth	13,590.	1812.50	2625.00	1225
01-107)						
200-) 0/20/31 O. H. Marphy	9/20/57	A. Mckay	2,000.	700.00	700.00	/o-a
	0/20/45	J. maeron	2,000.	\$50.00	900.00	450.0
A. M. ricos					\$50.02	
	9/29/57	. A. Hickor	1,000.	360.00		
). E/25/40 N.J. Porrey, Kase L. Atokas	1,8/20/40	I. sadermon	1,000.	176,00	100.00	
1/24/29 N.W.Scubn, side.	3/10/30	t. Cleen	500.	98,00	180.00	
1588 8/24/59 * * **	1/12/10	Gert. Gracelph	2,000.	200.00	100.00	ne
1800 . 3/17/50 F. Rickins	B/25/99	E. S. C. COMP F	1,900.	382.90	850.00	4
201 3/31/50 Ull. Jahnson	8/81/88	Maria Raish	1,000.	850,00	860.00	0.5

1000 380.00 380	olos ato	Security	Bund No. Sold t	Purchase Furchased		nles ihr- chase Frice	Sales Amount Co	Difference Cost Sell:	end a
Service Stition 79-390;	/11/39	lat Mtga. 3	from C	olonial Securities	410 00.	40	\$20.00 \$2	26.00 A	175.00
26/36 Ferry New Manor: 686- Colonial Securities Co. Bldg. Co., let 687-688- 9/18/35 Encolonial 5000 162 762.80 762.80 Htgo: 67 689-690 Income Bonds 2600 162 381.25 281.25 26/36 C751 National 11/4/36 Martin 100 25 28.00 28.00 2		Service State	tio879-390; co.bl53 on-1s(Old numbe 463 Coloni 262-259- 260-290- 291-293-	Johnson individual rs: purchased al 1/11/40 from Colonial Securities Corrany	}		675.00	3	195,0
#16g. Co., let 687-888- 9/18/35 Emerical 5000 153 762.80 762.80 #15go. 46 689-890 Inocome Bonds #16go. 46	23/40		number)		1000	20	200.00	180.00	50.0
/4/36 : C751 Wational 11/4/36 Wartin 100 25 25.00 25.00	24/35	Bldg. Co.,	689-690	inl Securities Co. 9/18/33 Encoland	8000	164	762.80	762.80	0.6
	20/36		To Record		2600	16}	381.25	281.25	0.0
Tatal street	/4/36		C751 Wats			25	25.00		0.0
								Total	430. A

sec porto

Page 1

BATTOBAL REALTY THESE

SECURITY TRANSACTIONS BY FINTLE JOHNSON BAY R4. 1955 to DECREES \$1. 1941

Sales	Security	ôonb Jee Sol	Purchase d To Late	Purchaseu 1	from the state of	Salas	Cost and Solling
111/4/10	Viadeor Shor	•					
	Hidg. Corp., let litge. H Income Sanda	14		Imber & Co.	.800° 80) 800.00 § 1	00.00 \$ 00.00
0/20/30		M44 Col	emial May mritis 1989	Plays Satisfied Sank of Chap	\$00 80	100.00	75.00 25.00

Page 2

BATTONAL MALLTT TRUST

foles.	Security	Sund Son Balting	Purchase	Purchased Fran	Per Vains	Sales 5 Pur- chase Price	Sales		ctoom Coot and Solling Price
	Bldg. Corp., lst Ytce. Migaus	1465E Smehange for DE20 b Les si Mario We asses pri	th lob	Colonial Securitie Company	10	•		€. 46U.50	
\$/19/40	Service Sta-	(x463)Hary Rig 1s an error.) 6 Should bee h466 461-465-1 467-468	18	Colonial Securiti Company		,19	£ 780.00	800.00	8 220.00
4/20/40		DESO- Colonial 200-290- Seco 201-295- Comp 2008 0 18	rition	•	8000.	11	\$78.00	275.00	100.00
		USB1 Isouer (for old	7/11/40	•	1000.	15	200.00	150.00	80.00

470

BATTLE L KIALLY TRUST

Date		Security	Bund Nos.	Solt to	From	Value	3-les	ost	Loss
					1	1			
Nay 5, 193	9	-Fortal Facili		cologi-1	ru rbere	16			
		honde.			Doyle,				
				1/:/1	ennor's Co.	ייוניי	sec.	150.	430.00
		15	1				1.	9	
			N.					1. olal	A734.00

521

" Libral

THE THE

BATTOBAL MALTY THREE

MAT 26, 1925 to HORSEN ST. 1943

Sales Secrity De Sale to Des Dy Syrtle 1000. 25 250.00 150.00 100.00 Sec. 1554

All/36 Postal Pasil 2013 s

ities, inc. (This item was not
let Mgs. Not sold to Calenial
Gan. Income Bds. by Settys J. Halp but
by Rattic Y. Cady.)

MATIENAL REALTY THUSTS MAK & SALLY LEVY.

ding Corp. for the mortgage St. \$1013-1023-	Col.	2/21/18	Colental	500. 1500.	125.	9 75. 1187/60	. 62.50
K86-91-D21 Ogden Park a are part of a sedurities view Memor 3: ding Corp. fo t mortgage 51 s 1013-1023- /5-1056 mo	zehanged or quin tetion	9/6/35	•				• 02.50
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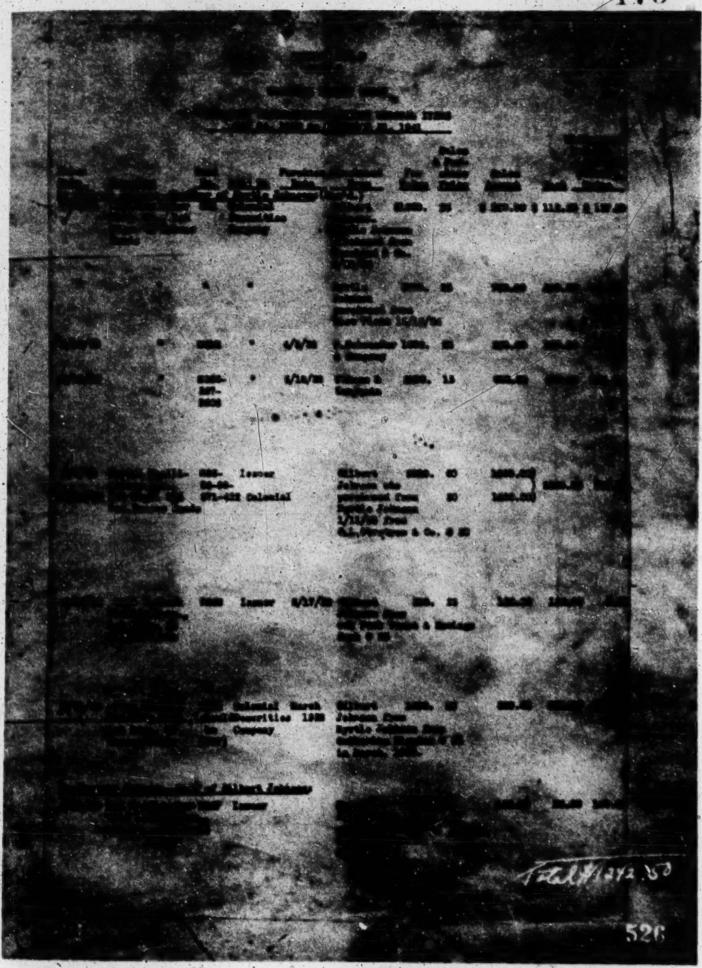
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Irving Park Post Office Bldg. Corp 2nd Mortgage		Poderal Pacificies Realty Frust	15.00	300.00
Roseland Building Corp.	300.00	Federal Pacilities Realty Trust	3.00	9.00
United States Bullding Corp. 2nd Mortgage	5,000.00	United States Dailding Corp.	10.00	500.00
22nd Street Station Pailding Corporation		Todorga Facilities Realty Trust	30.00	1,600.00
22nd Street Station Building Corporation		22nd Street Station Ridge Corp.	30.00	300.00
Villa Building Corporation	3,000.00	Pederal Pacilities Realty Trust	3.105	95.55
Ogden Park Post Office Bailding Corporation	3,800.00	Ogden Park Post Office Bldg.Corp	. 30.00	1,140.00
6929 North Clark Street Dailding Corporation	8,500.00	6929 H. Clark Derock Eldg. Corp.	32.64	2,975.00
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JACOB KULP & CO.

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RE: FEDERAL PACILITIES REALTY TRUST

1. FERRY STATION POST OFFICE, INCORPORATED, Debtor.

The Amended Plan of Reorganisation recognises as indebtednesses of Debtor First Mortgage Bonds due February 15, 1974, in the principal amount of \$655,300.00; Second Mortgage Bonds due October 15, 1934, in the principal amount of \$197,900.00; interest on the aforesaid bonds, and in addition to a California State Income Tax claim, the amount of \$34,664.21 as "due Jacob Kulp & Co., Inc." an unsecured claim.

The Plan provides that the maturity date of the Pirst Mortgage bonds is extended fifteen years from the first day of the second month following the confirmation of the Plan, and that the maturity date of the Second Mortgage bonds shall likewise be extended.

With respect to the unsecured claims, the Plan pro-

"All general or unsecured claims, except any tax claim which may be considered a general claim, against the Debtor existing at the date of the approval of the petition herein on May 31, 1935, shall be suspended and no action for the enforcement of the same shall be taken until the maturity of the First Mortgage Bonds and Second Mortgage Bonds. No interest shall accrue upon such claims during such period. No statute of limitations as to such claims shall rum during the aforementioned period."

2. IRVING PARK POST OFFICE BUILDING CO PORATION, Debtor.

The Plan of Reorganisation recognises as indebtednesses of Debtor First Mortgage Bonds due June 15, 1935 in the principal

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LE: FEDERAL PACILITIES REALTY THUST

amount of \$47,000.00; General Mortgage Bonds due June 15, 1935, in the principal amount of \$40,000.00; interest on the aforesaid bonds; certain real estate taxes, and unsecured claims as follows:

Due Jacob Kulp & Co., Inc.

\$4,375.36

Due Alfred S. Alsehuler, Inc.

203.40

The Plan provides that in addition to the reduction of the rate of interest, the naturity dates of the First Mortgage and General Mortgage bonds are extended fifteen years water lil June 15, 1950.

With respect to the unsecured claims, the Plan pro-

"All unsecured claims against the Debtor existing at the date of the approval of the petition herein on May 25, 1935 shall be suspended and no action for the enforcement of the same shall be taken until June 15, 1950. We interest shall seems on such claims during such period. No statute of limitations shall run against said unsecured claims during the aforementioned period.

"No dividends shall be paid on the capital stock of the Debtor while any first or general mortgage bonds are still substanding."

3. MCKINILEY PANK STATION BUILDING CORPORATION, Debtor.

The Amended Plan of Reorganization recognizes as indebtednesses of Debter First Mertgage Bonds des January 1, 1736, in the principal amount of \$44,000.00, interest thereon, and in addition to real estate taxes, the amount of \$6,402.05 as "due Jacob Kulp & Co.," an unsecured claim.

Page 3.

RE: PEDERAL PACILITIES RELLTY TRUST

The Plan provides that in addition to the reduction of the rate of interest, the maturity date of the First Mortgage bonds shall be extended to January 1, 1951.

with respect to unsecured claims, the Plan pro-

"All unsecured claims against the Debtor existing at the date of the approval of the petition herein on May 25, 1935, shall be suspended and no action for the enforcement of the same shall be taken until January 1, 1951, nor shall any interest accrue thereon during such period. No statute of limitations as to said unsecured claims shall run during the aforementioned period.

"No dividends shall be paid on the capital stock of the Debtor during any time while said first mort-gage bonds are still outstanding."

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BETWEE MALET PROPE

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SEC 25 A 6/12/46

Re: National Realty Trust

1. Berwyn Post Office Building Corporation, Debtor.
The Amended Plan of Reorganization recognizes as indebtedness of Debtor First Mortgage 6% S. F. Gold Bonds Series "A" due June 15, 1937, in the principal amount of \$31,500.00; General Mortgage 6½% S. F. Gold Bonds

\$31,500.00; General Mortgage 6½% S. F. Gold Bonds Series "B" due June 15, 1937, in the principal amount of \$10,000.00; interest upon the aforesaid bonds, and as "due Jacob Kulp & Co." an unsecured claim in the amount of \$2.995.00.

The Plan provides that in addition to the reduction of the rate of interest, the maturity dates of the First Mortgage Series "A" bonds and General Mortgage Series "B" bonds are extended from June 15, 1937 to June 15, 1950.

With respect to the unsecured claims and shareholders

of the Debtor, the Plan provides:

"All unsecured claims against the Debtor existing before the date of the approval of the Petition herein on June 17, 1935, shall be suspended and no action for the enforcement of the same shall be taken until June 15, 1950, nor shall any interest accrue thereon during such period. No statute of limitations as to said unsecured claims shall run during the aforementioned period. No dividends shall be paid on the capital stock of the Debtor during any time while first mortgage Series "A" and general mortgage Series "B" bonds are still outstanding."

2. Los Angeles Service Station, Inc., Debtor.

The Amended Plan of Reorganization recognizes as indebtedness of Debtor First Mortgage 6% Sinking Fund Gold Bonds due March 1, 1933 in the principal amount of \$214,100.00, interest on said bonds, and unsecured claims as follows:

537 Re: National Realty Trust

Due Jacob Kulp \$1,006.98

Due to assignee of trustee in bankruptcy of

Jacob Kulp & Co., Inc.

Due George H. Andresen, Trustee

2,145.04
62.59

The Plan provides that the first mortgage bonds shall be cancelled and upon surrender the holder shall receive new first mortgage bonds in the principal amount of 50% of the unpaid principal of the bonds surrendered and Voting Trust Certificates covering shares of the Debtor at the rate of five (5) shares for each \$100 principal amount

of bonds surrendered. The Plan further provides that not less than 14,305 shares of no par value stock shall be issued.

The Plan provides with respect to unsecured claims:

"All general or unsecured claims against the Debtor, together with all interest accrued thereon, shall be cancelled. Each such unsecured claim shall receive a Voting Trust Certificate representing one share of stock of the Debtor for each \$100.00 of principal amount, exclusive of interest, of such claim. If the principal amount of any such claim be \$50.00 or more in excess of the last even \$100.00 amount, then the amount of said claim, for the purpose of determining the number of shares evidenced by the Voting Trust Certificates to be issued hereunder, shall be computed as the next \$100.00 even amount. If the principal amount of any such claim be less than \$50.00 in excess of the last even \$100.00 amount, then the amount of said claim, for the purpose of determining the number of shares to be evidenced by Voting Trust Certificates to be issued hereunder, shall be computed as the last preceding \$100.00 even amount."

The Plan further provides that the 100 shares of common stock of the Debtor shall ratably receive Voting Trust

Certificates covering 3,568 shares.

538 Re: National Realty Trust

3. Postal Facilities, Incorporated, Debtor.

The Amended Plan of Reorganization recognizes as indebtednesses of Debtor First Mortgage Bonds due February 1, 1947 in the principal amount of \$495,000.00; General Mortgage 6½% Bonds (Second Mortgage Bonds) due February 1, 1937 in the principal amount of \$190,000.00; interest upon the aforesaid bonds and unsecured claims as follows:

Note payable to Federal Facilities Realty	
Trust	\$35,000.00
Interest on notes payable as of June 17,	
1935	8,466.52
Due Jacob Kulp & Company, as of June 17,	
1935	30,529.68
Due George H. Andresen, Trustee, as of	
June 17, 1935	2,985.18
Due National Realty Trust for management	
fee as of June 17, 1935	1,385.25
Due Barney-Ahlers Construction Corpora-	
tion as of June 17, 1935	517.79

The Plan provides that the maturity dates of the First Mortgage bonds and the Second Mortgage bonds shall be extended to February 1, 1957 without a change in the principal amount. With respect to unsecured creditors, the

Plan provides:

"The holders of all unsecured claims against the Debtor existing at the date of the approval of the petition herein on June 17, 1935, with the exception of Barney-Ahlers Construction Company, whose claim is in the amount of \$517.79, which claim upon the consummation of the Plan will be paid in full but without interest, shall be without any rights whatsoever against the Debtor, except to enforce their claims after all of the First and Second Mortgage bonds at any time outstanding shall have been retired, and interest shall not accrue on said claims from the date of their inception until all of the First and Second Mortgage bonds at any time outstanding shall have been retired, but shall accrue at the rate of 7% per annum thereafter. No statute of limitations as to these unsecured claims shall run during the aforementioned period."

S. E. C. Ex. 26.

Federal Facilities Realty Trust Certain data relating to claims in reorganization proceedings of three subsidiaries: Ferry Station Post Office, Inc.; Irving Park Post Office Bldg., Corp.; and McKinley Park Station Bldg. Corp.

Ferry Station Post Office, Inc. #59504 U. S. District

Court, N. D. Ill.., E. D.
On December 23, 1935 the court entered an order requiring that claims and interests be filed on or before February 14, 1936 and stating that claimants and stockholders who fail so to file shall be excluded from participation in any plan except on order for cause shown. By subsequent orders the time for filing claims was extended to March 16, 1936 and again to April 10, 1936.

On November 12, 1936 Charles True Adams, Referee in Bankruptcy, as Special Master, filed his report on claims, interests and consents. Said report indicates that no claim was filed on behalf of Jacob Kulp & Co., Inc. or any assignee of Jacob Kulp & Co., Inc. or its trustee in bank-

ruptcy.

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3. On April 23, 1937 the court entered an order nune pro tunc as of April 12, 1937 approving the amended plan of reorganization. Said order recites (Para. 5) that no general claims were filed; and said order further states (Para. 18) that "All persons who failed to file claims are barred from participating in the assets of the debtor or from asserting any claims against the debtor except to the extent that they are provided for by the plan as amended." II. Irving Park Post Office Building Corp. #60069, U. S. District Court, N. D. Ill., E.D.

1. On November 30, 1936 the court entered an order requiring that all creditors and stockholders file claims and interests against the debtor on or before December 28, 1936, and stating that any creditor or stockholder who failed to file his proof of claim or interest within said period shall not participate in any plan except on order

for cause shown.

2. On January 11, 1937 Charles True Adams, Referee in Bankruptcy, as Special Master, filed his report on claims and interests which shows that the following general claim was filed in Class IV: "Claim No. 4 filed by Jacob Kulp & Co., Inc. for the amount of \$4,375.36 meneys loaned to the debtor corporation by the claimant." Said claim, filed on December 28, 1936.

ary 18, 1937, a written withdrawal by Jacob Kulp & Co., Inc. of said Claim No. 4 was filed by leave of court. On the face of this withdrawal and filed therewith appears a written consent to the withdrawal of the claim by Louis Goldman "the attorney and agent for the assignee and present owner of the aforesaid claim of Jacob Kulp & Co., Inc., which assignee and owner acquired said plan from Michael Tauber & Co., a corporation, which company purchased said claim at a sale in bankruptcy made by Maurice Klein, Trustee in Bankruptcy of Jacob Kulp & Co., Inc."

4. On February 15, 1937 the court entered an order, nune pro tune as of January 18, 1937 approving the plan of reorganization. Said order states (Para. 7) that the aforesaid claim filed by Jacob Kulp & Co., Inc. has been withdrawn with the consent of the assignee thereof; and said order further recites that parties who failed to file claims are barred from participation except to the extent

provided for in the plan.

III. McKinley Park Station Bldg. Corp. #60071, U. S.

District Court, N. D. Ill., E. D.

1. On January 27, 1936, the court entered an order requiring that claims or interests be filed by March 6, 1936 and adding that any person who fails so to file shall not participate in any plan except on order for cause shown. The time for filing claims was subsequently extended to March 20, 1936 and again to April 10, 1936.

2. On August 12, 1936 Charles True Adams, Referee in Bankruptcy, as Special Master, filed his report on claims which report indicates that no claim was filed by Jacob Kulp & Co., Inc. or any assignee of Jacob Kulp & Co., Inc.

or its trustee in bankruptcy.

3. On November 23, 1936 the court entered an order nunc pro tune as of May 26, 1936 approving the plan. Said order states (Para. 5) that no general claims have been filed and further recites (Para. 18) that the time for filing claims had expired and that all persons who failed to file claims are barred from participation in the assets except to the extent provided for by the plan.

S. E. C. Ex. 27.

NATIONAL REALTY TRUST

Certain data relating to claims in reorganization proceedings of three subsidiaries: Berwyn Post Office Bldg. Corp.; Los Angeles Serv. Station, Inc.; and Postal Facilities, Inc.

I. Berwyn Post Office Bldg. Corp. #60281, U. S. District

Court, N. D. Ill., E. D.

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1. On February 3, 1936 the court entered an order requiring that claims and interests be filed on or before March 9, 1936 and reciting that any party who failed to file his claim or interest by said date shall not participate in any plan except on order for cause shown.

2. On November 7, 1936 Charles True Adams, Referee in Bankruptcy, as Special Master, filed his report on claims. Said report shows that no claim was filed on behalf of Jacob Kulp & Co., Inc. or any assignee, of Jacob Kulp &

Co., Inc. or its trustee in bankruptcy.

3. On November 9, 1936 the court entered an order approving the amended plan of reorganisation. Said order states (Para. 17) that all persons who failed to file claims are barred from participating in the assets or from

asserting any claim against the debtor except to the extent provided for by the plan.

II. Los Angeles Serv. Station, Inc. #67905, U. S. District

Court, N. D. Ill., F. D.

1. On June 3, 1938 the court entered an order directing that claims and interests be filed by July 15, 1938 and stating that claims not so filed shall not participate except

on order for cause shown.

2. On October 13, 1938 Wallace Streeter, Referee in Bankruptcy, as Special Master, filed his report on claims. Said report shows that the following two claims were filed: "No. 5 by Joseph Baumann, Assignee of Maurice Klein, Trustee in Bankruptcy of Jacob Kulp & Co., Inc. for \$2,145.04 for moneys advanced to debtor"; and "No. 6 by Jacob Kulp for \$1,006.98 for moneys advanced to debtor".

Both of said claims were filed on July 15, 1938.

542 3. On January 23, 1939 the court entered an order nunc pro tunc as of December 14, 1938 approving the amended plan of reorganization, and allowing claims including Claims No. 5 and No. 6 above described. Said order states (Para. 16) that the time for filing claims has expired and that persons who failed to file claims are barred from participating in the assets except on order for cause shown.

III. Postal Facilities, Inc. #60068, U. S. District Court,

N. D. Ill., E. D.

1. On December 3, 1935 the court entered an order directing that all claims and interests be filed on or before January 15, 1936 and reciting that any creditor or stockholder who failed so to file shall not participate in any plan of reorganization except on order for cause shown. By subsequent orders the time for filing claims was extended to January 29, 1936, February 15, 1936, March 16, 1936 and April 14, 1936.

2. On August 12, 1936 Charles True Adams, Referee in Bankruptcy, as Special Master, filed his report on claims which shows that no claim was filed by or on behalf of Jacob Kulp & Co., Inc. or any assignee of Jacob Kulp &

Co., Inc. or its trustee in bankruptcy.

3. On December 31, 1937 the court entered an order nunc pro tune as of December 27, 1937 confirming the amended plan. Said order states (Para. 5) that the time for filing claims has expired and that all claims and interests not filed and allowed are barred and shall not partici-

pate except to the extent provided for in the amended plan.

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S.E.C. EXHIBIT 28

June 12th, 1936

Jacob Kulp & Company 100 W. Monroe Street Chicago, Illinois

Re: Joseph Baumann New York City, New York April 24, 1936 To balance due ...

\$54,158.33

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IN THE DISTRICT COURT OF THE UNITED STATES
For the Northern District of Illinois
Eastern Division

(Caption-No. 63175)

In the matter of Jacob Kulp & Company Bankrupt.

In Bankruptcy.

Proof of Debt

At New York in Northern District of New York, on the 26th day of May, A. D. 1936 came Joseph Baumann of New York, in the County of New York, and State of New York and made oath and says that:

•2. He is one Joseph Baumann consisting of himself of New York in the County of New York and State of New York that the said Jacob Kulp & Company, the person by—against—whom a petition for adjudication of bankruptcy has been filed, was at and before the filing of said petition, and still is, justly and truly indebted to his,

deponent's, said firm;

Subscribed and sworn to before me this 26 day of May 1936 said subscriber being known to me to be the person described in and who signed and swore to the above instrument.

Anna E. Botihof

Notary Public in and for the County of New York and State of New York.

(Notary Seal)

*Use Number "1" if creditor is a corporation. Number "2" if a partnership. Number "3" if an individual. Strike out paragraphs not applicable.

(L. S.)

Joseph Baumann
If the creditor is an individual he signs his own
name on this line.

(L. S.) (L. S.)

If the creditor is a corporation, the treasurer or officer performing the duties of treasurer signs his own name on the line "V" and underneath on the line "W" he signs name of corporation and affixes seal of corporation.

(L. S.)

(L. S.)

If the creditor is a firm or co-partnership, a member of the firm signs his own name on line "X" and on line "Y" he signs name of firm.

(Over)

LETTER OF ATTORNEY

To Louis Goldman, A. B. Allshouse, F. V. Healy or R. G. Dreeffin, or The Undersigned Joseph Baumann of New York in the County of New York and State of New York do hereby authorize you, or any of you, to attend the meeting or meetings of creditors of the bankrupt aforesaid at a court of bankruptcy, wherever advertised or directed to be holden, on the day and at the hour appointed and notified by said court in said matter or at such other time and place as may be appointed by the court for holding such meeting or meetings, or at which meeting or meetings, or any adjournment or adjournments thereof may be held, and then and there from time to time, and as often as there may be occasion for, in the name of the undersigned to vote for or against any proposal or resolution that may be then submitted under the acts of Congress relating to bankruptcy; and in the choice of trustee or trustees of the estate of said bankrupt, and for the undersigned to assent to such appointment of trustee, and with like powers to atend and vote at any other meeting or meetings of creditors, or sitting or sittings of the court, which may be held therein for any of the purposes aforesaid also to accept any composition proposed by said bankrupt in satisfaction of his debts, and to receive payment of dividends and of money due the undersigned under any composition, and for any other purpose in whatsoever interest of the undersigned; with full power of substitution, and the undersigned does hereby revoke any and all prior powers of attorney that may have been given by the undersigned.

In Witness Whereof, the name and seal of the undersigned is hereby affixed the 26th day of May A. D. 1936.

Joseph Baumann Seal

In case of corporation affix corporate seal:

AFFIDAVIT OF ACKNOWLEDGMENT

In case of individual or partnership, use this clause and strike out clause 5.

(4). State of New York | State of New York |

Anna E. Botihof
Notary Public of County of
State of
(Notary Seal)

In case of corporation use this clause and strike out clause 4.

> Notary Public of County State of (Notary Seal)

S. E. C. Exhibit 28

No. 63175 United States District Court Northern District of Illinois

IN BANKRUPTCY
In The Matter Of
Jacob Kulp & Company

Bankrupt

Power Of Attorney and PROOF OF DEBT Omnibus Form

Claim of Joseph Baumann

\$54,158.33

Referee in Bankruptcy

Goldman, Allshouse & Healy
Attorneys and Counsellors at Law

5 South Wabash Avenue

Phone Central 7676

Chicago, Illinois

Filed
Jun 12 1936
At O'clock M
Archie H. Cohen
Referee in Bankruptcy

And afterwards, on to wit, the 29th day of April, 1948, came the Special Master, Archie H. Cohen, prose, and filed in the Clerk's office of said Court his certain Report On Final Report And Account of Paul E. Darrow, Former Trustee, Herein Filed on October 15, 1943, And Supplements Thereto Filed On February 11, 1944, Together With Objections Filed Thereto By The Securities And Exchange Commission, Stacy C. Mosser, As Successor Trustee Herein, and John W. Guild, As Successor Trustee, in words and figures following, to wit:

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IN THE DISTRICT COURT OF THE UNITED STATES
For the Northern District of Illinois
Eastern Division

• (Caption-No. 63175) • •

REPORT OF ARCHIE H. COHEN, SPECIAL MASTER, ON FINAL REPORT AND ACCOUNT OF PAUL E. DARROW, FORMER TRUSTEE HEREIN, FILED ON OCTOBER 15, 1943, AND SUPPLEMENTS THERETO FILED ON FEBRUARY 11, 1944, TOGETHER WITH OBJECTIONS FILED THERETO BY THE SECURITIES & EXCHANGE COMMISSION, STACY C. MOSSER, AS SUCCESSOR TRUSTEE HEREIN, AND JOHN W. GUILD, AS SUCCESSOR TRUSTEE.

To the Honorable William H. Holly, Judge of Said Court:

Honorable Sir:

I respectfully report unto this Honorable Court that under date of July 20, 1944 an order was entered by Your Honor in each of the above entitled cases wherein the Final Report and Account of Paul E. Darrow, the former trustee herein, and the Detailed Schedules supplementing said report filed subject to court order dated November 29, 1943, together with objections thereto, were referred to me as Special Master to conduct full and complete hear-

ings thereon and to report my Findings of Fact and 547 Conclusions of Law with reference thereto to this Honorable Court.

Under date of September 29, 1944 I caused a notice to be mailed to the attorneys of record setting both matters for October 3, 1944 at 11:00 A. M. for the purpose of fixing a date when the hearings would commence and by agreement of counsel, the 25th day of October, 1944 at 2:00 P. M. was the time set for the presentation of evidence pertaining to the matters specially referred to the

undersigned.

I was attended by Messrs. Deming, Jarrett & Mulfinger appearing on behalf of Stacy C. Mosser, successor trustee; Mr. G. Gale Roberson and Mr. John I. Mayer appearing on behalf of Securities & Exchange Commission; Messrs. Montgomery, Hart, Pritchard & Herriott, by Mr. Irving Herriott and Mr. W. Ward Smith, appearing on behalf of Paul E. Darrow, former trustee. Mr. Jacob B. Courshon appearing on behalf of John W. Guild, successor trustee under indenture dated October 1, 1929. Messrs. Goldman, Allshouse. & Healy, by Mr. Louis Goldman, appearing on behalf of petitioning creditors, and Messrs. Gilruth & Beck, by Mr. Irwin T. Gilruth, appearing on behalf of F. B. Andrews, accountant.

Counsel agreed that the proofs submitted in both matters would be presented contemporaneously and the hearings commenced on October 25, 1944 at 2:00 P. M. at my office, Suite 1600, 10 South La Salle Street, Chicago, Illinois, and continued on various dates thereafter until May 28, 1947 when proofs were closed. Several objectors were ordered to file briefs by June 27, 1947, and the counsel for Paul E. Darrow were given until July 15, 1947 to file their brief and reply briefs by objectors within ten days there-

after.

Arguments were set for hearing on Tuesday, July 29, 1947 at 10:30 A. M. and lasted all day.

548 The oral evidence presented before me was taken down in short hand by Messrs. Shipman, Eamon & Moye, court reporters, and duly transcribed, which transcript of evidence is submitted herewith in three volumes and by this reference thereto made a part of this report. I also transmit the documentary evidence offered by the parties who appeared before me and said documentary evidence is likewise made a part of this report.

THE OBJECTIONS FILED TO THE FINAL ACCOUNT AND REPORT OF PAUL E. DARROW, FORMER TRUSTEE, AS SUPPLEMENTED BY DETAILED SCHEDULES.

A. Objections of Securities & Exchange Commission. On May 15, 1944 the Securities & Exchange Commission filed objections to the Final Report and Account of Paul E. Darrow, former trustee, covering the period from April 25, 1935 to and including August 13, 1943 as supplemented

25, 1935 to and including August 13, 1943 as supplemented by Detailed Schedules filed on February 11, 1944, and to the application of said trustee for allowance of compensation in the matter of Federal Facilities Realty Trust.

Twelve specific objections were noted upon the follow-

ing grounds:

1. That the operating expenses as set forth in the Final Report and Account totaled \$121,910.15, whereas the same expenses as shown in the Detailed Supplementing Schedules total \$119,696.13, a reduction of \$2,214.02, by which amount the receipts are also shown to be decreased.

2. The Detailed Supplementing Schedules reflect total interest of \$1,080.00 earned on United States Building

Corporation second mortgage bonds held by the trus-549 tee, whereas the summary contained therein sets forth the receipt of only \$980.00 by way of interest on these bonds.

- 3. That said schedules disclose that in the purchasing and selling of securities by the trustee of first mortgage bonds of Ferry Station Post Office, Inc., a profit was determined by taking the difference between the purchase price of a particular bond and the selling price of a different bond of the same issue in at least five separate instances.
- 4. That the said schedules supplementing the Final Report and Account failed to show interest earned or accrued for several years on a number of the bondholdings of the trustee in certain subsidiaries, among which are Columbus Parcel Post Building, Inc.; North Halsted Post Office Building Corporation; Quincy Station Post Office Building Corporation; Roseland Building Corporation; South Side Post Office Service Building Corporation; 22nd Street Station Building Corporation; and Villa Building Corporation, and that the said Report and Account, together with the supplementing schedules give no explanation for the absence of such interest.

5. That the said schedules disclose that Paul E. Darrow as trustee has from time to time made unauthorized loans of trust funds to subsidiaries of the trust, and in particular made loans to Roseland Building Corporation between the dates of October 9, 1939 and August 27, 1942, totaling \$1,450.00, of which amount the sum of \$630.00 has been repaid, leaving an unpaid balance of \$820.00 owing by Roseland Building Corporation to Paul E. Darrow as trustee.

6. That the summary of operating expenses for the period covered by the Final Report and Account does not explain nor give any details as to an item of miscellaneous

expense in the sum of \$1,413.10.

550 7. That the trustee has purchased from time to time various securities from two of his employees, namely Jacob Kulp and Myrtle Johnson, who have also occupied a fiduciary relationship, and from Colonial Securities Company, a corporation owned or controlled by these employees, and also from associates or affiliates of these two employees a large number of bonds of subsidiary companies upon the sale of which to the trustee these employees, Colonial Securities Company and affiliates and associates of the said employees have realized substantial profits for which the trustee has not accounted.

8. That the trustee retained in his employ on a salary basis Jacob Kulp and Myrtle Johnson who have operated a securities business in the same suite of offices with the trustee during the period covered by his Final Report and Account, and that said employees through the operation of their securities business purchased and sold securities of the subsidiaries of the trust estate utilizing information gained by them in the fiduciary relationship which they occupied as employees of the trustee and have realized by such trading in these securities substantial profits for which the trustee has not accounted.

9. That the Final Report and Account of Paul E. Darrow as trustee and the Detailed Schedules supplementing same are at variance in numerous instances with the record of purchases and sales of securities by the trustee as set forth by Frederick B. Andrews, certified public accountant, in his report filed herein on June 8, 1942 upon order of

court.

10. That the Final Report and Account fails to explain

why Paul E. Darrow as trustee and as owner of all of the stock of Quincy Station Post Office Building Corporation, omitted to prosecute to a conclusion a cause of action against the members of the Board of Directors of

551 said Quincy Station Post Office Building Corporation,

including Jacob Kulp and Myrtle Johnson, his employees, to recover a \$100,000.00 dividend illegally and improperly declared by resolution of said Board of Directors on November 22, 1930, and paid to Jacob Kulp on or about January 2, 1931; that the declaration of said dividend was illegal and improper because the said corporation at the time had earnings or earned surplus of only \$26,924.40 available for dividends, and its payment to Jacob Kulp was wrongful and improper because at that time and prior thereto all of the stock of this corporation was beneficially owned by Federal Facilities Realty Trust and pledged to secure its outstanding collateral trust gold bonds.

11. That neither the report nor the schedules contained detailed information regarding the purchases and sales of bonds of subsidiary corporations by the "Paul E. Darrow, Chairman Acount," as required by order of

court.

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12. The S. E. C. also objects to the allowance of any further compensation to Paul E. Darrow as trustee upon the ground that the interim fees heretofore received by him are ample compensation for all of the services which he has rendered in view of the results accomplished, the size and ability of the estate to pay, and particularly in view of the conduct of the trustee in the administration of this estate.

Wherefore, the Securities and Exchange Commission respectfully asks that the Final Report and Account of Paul E. Darrow as trustee be disapproved, that Paul E. Darrow be disallowed any further compensation, and that he and the surety on his bond be surcharged in such amounts as may upon a hearing be properly determined. These objections bear the signatures of Thomas B. Hart, G. Gale Roberson and Leo J. Powers, attorneys for the Securities and Exchange Commission.

B. Objections Filed May 29, 1944 by John W. Guild, as Successor Trustee Under Indenture of Mortgage Dated October 1, 1929 Issued by the Debtor to the Final Report and Account as Supplemented of

Paul E. Darrow, Trustee.

Fourteen grounds of objections were set forth and I summarized the same as follows:

1. That the trustee has failed to account for interest earned or accrued for several years on certain bonds held by him.

2. That the trustee has made unauthorized loans of trust funds from time to time, some of which have not as

yet been repaid.

3. That the report and schedules fail to fully explain certain expenditures and fail to account for and properly explain the wiping out of certain accounts receivable due

to the debtor and its subsidiaries.

4. That Paul E. Darrow as trustee retained in his employ on a salary basis Jacob Kulp and Myrtle Johnson, and that they purchased and sold securities of the subsidiaries of the debtor, utilizing information gained by them as employees of said trustee and in violation of the fiduciary relationship which they as such employees of said trustee occupied; that the substantial profits realized by Jacob Kulp and Myrtle Johnson rightfully belong to the estate of the debtor and should have been realized on behalf of the debtor by the said trustee who has failed to account for such profits; that the compensation paid to said employees should be ordered repaid to the present trustee and if not repaid that said Paul E. Darrow should be charged therefor and that all compensation paid to Jacob Kulp and Myrtle Johnson should be disallowed.

5. That Louis Goldman, an attorney representing certain parties in interest in these proceedings, became the owner and holder of certain securities issued by the debtor or one or more of its subsidiaries; that funds of said Paul

E. Darrow as trustee were used in connection with 553 the acquisition by said Goldman of said securities;

that profits were realized therefrom and that certain of said securities rightfully belonging to the estate of the debtor are still held by said Goldman and that the trustee, Paul E. Darrow, has failed to account for said profits and has failed to reclaim said securities.

6. That there is a variance between the report and the Detailed Schedules filed by Paul E. Darrow as trustee, and the report filed by Frederick B. Andrews and said discrepancies are not as yet explained or accounted for.

7. That the trustee's Final Account and Report as

supplemented fails to give an accounting of all acts and transactions of Paul E. Darrow as trustee in connection with the so-called "Paul E. Darrow, Chairman Account."

8. That the so-called Andrews Report reveals numerous instances of purchases of securities issued by some of the subsidiaries of the debtor by Paul E. Darrow as trustee and a subsequent resale thereof to sundry persons, firms or corporations which the objector claims were improper and prejudicial to the interests of the debtor and its creditors and in violation of the orderly and prudent administration of the estate of the debtor by Paul E. Darrow as trustee.

9. That the trustee has failed to show a proper accounting with respect to the collateral trust gold bonds Series "A" 6½% maturing October 1, 1939 with persons, firms or corporations acting as selling or distribution agents of the debtor, particularly Jacob Kulp & Co., and has failed to reclaim such of said bonds for which the debtor received no consideration.

10. That the trustee's report as supplemented fails to account for distribution of claims of the debtor in the 554 case entitled "Seligman et al v. Jacob Kulp et al,"

filed in the Superior Court of Cook County, Illinois as cause No. 35, S 11241; wherein were involved certain claims and properties belonging to the debtor's estate.

11. That because Paul E. Darrow as trustee failed to file herein any inventory of the debtor's estate coming into his possession or any interim reports of his ad inistration of the debtor's estate, a proper analysis of his said report as supplemented cannot be made without a detailed audit of all accounts and transactions, receipts and disbursements had during the administration of the debtor's estate by the said trustee, and that by reason of the failure of said trustee to file such interim and inventory reports and because his Final Report as supplemented does not conform to the orders of this court and the provisions of the Acts of Congress relating to bankruptcy the cost of such audit should be charged to and paid by said Paul E. Darrow.

12. That the report as supplemented fails to account for any commissions or discounts paid to the trustee or to any person, firm or corporation for his use and benefit on account of insurance purchased in connection with the

operation and management of the estate of the debtor and

its subsidiaries.

13. That the report as supplemented fails to account for all fees and compensation paid to Paul E. Darrow as trustee in connection with the reorganization of each and every of the subsidiaries of the debtor; and has failed to account for sundry and other miscellaneous fees, commissions and salaries paid to said Paul E. Darrow as a director or officer of each and every of the subsidiaries of the debtor.

14. The said objector adopted all objections filed by the Securities and Exchange Commission. John W. 555 Guild signed the objections and asked that the Final

Report and Account as supplemented by Paul E. Darrow as trustee be disapproved, that said trustee be disallowed any compensation herein, and that he and the surety on his bond be surcharged in such amounts as may be determined upon a hearing.

C. Objections of Stacy C. Mosser, Successor Trus-

tee, filed May 29, 1944.

Stacy C. Mosser, successor trustee, filed twenty specific objections to the Final Account. The twenty-first objection merely adopts each and all of the objections heretofore filed by the Securities and Exchange Commission and expressly makes said objections "a part hereof by reference." The grounds of the objections are as follows:

1. That the item in the Final Account described as

"miscellaneous expense" is not itemized.

2. That the Final Report is at variance with the sup-

plementary Detailed Schedules.

3. The trustee made loans to subsidiary corporations in many instances without authority which have not been repaid and which claims are not set up as assets of this estate.

4. The discrepancy with respect to the interest received from United States Building Corporation, being

the second objection filed by S. E. C.

5. The trustee permitted full-time employees of the trustee to engage in business ventures of their own and from which he did not receive any benefit.

6. That the trustee permitted Myrtle Johnson and Jacob Kulp and their associates and affiliates to occupy

office space paid for by this estate for the purpose of carrying on their individual business without payment 556 to the trust estate of expenses incurred for rent, tele-

phone, stenographer, etc.

7. That the Colonial 'Investment' Company which was engaged in purchasing and selling scenrities was permitted to occupy space without proper reimbursement for the use of the said space and other incidental office ex-

penses.

8. That Myrtle Johnson and Jacob Kulp and their associates and affiliates, while occupying a fiduciary relationship to this estate, obtained information concerning the, financial condition of this estate and its subsidiaries which enabled them to deal in securities of this estate with a resultant profit to said persons and corporations and a loss to this estate and its creditors.

That Jacob Kulp was permitted by the trustee to engage in the insurance and real estate brokerage business

to the detriment of this estate.

That the trustee failed to account for a portion of the fecs received by him in the reorganization of the sub-

sidiary corporations.

That the trustee failed to account for interest paid to him as trustee or which he should have received on bonds owned by this estate and on bonds purchased by his employes and their associates and affiliates.

That the trustee purchased securities from his employees and their associates and affiliates and permitted them to make a profit on said transactions, all of which profits, together with interest on the securities, should

have been delivered up to this estate.

The trustee purchased securities and resold them at a profit to other than subsidiary corporations, thereby increasing the indebtedness of said subsidiaries and accordingly reducing the equitable interest of this estate

in said subsidiaries.

557 That the trustee in furtherance of a plan to permit securities to be purchased through a "dummy" bidder for later delivery through the agency of Max Levy, Sally Levy and Colonial Securities Company to this estate, failed to take the necessary action in the matter of the sale of bonds of subsidiaries of this trust and other securities in the case of Seligman v. Kulp et al, No. 35 S

11241, then pending in the Superior Court of Cook County, which resulted in a substantial profit to said intermediaries.

15. The trustee failed to keep proper books of account, thus enabling his employees to engage in security transactions, the exact nature of which cannot be ascertained

without great expense and loss to this estate.

16. That all salaries paid to Myrtle Johnson and Jacob Kulp and other employees who engaged in the purchase and sale of securities or otherwise derived profits while occupying any fiduciary relationship to this estate should be disallowed.

17. That salaries and fees paid to Paul E. Darrow,

trustee, should be disallowed.

18. That all office expenses incurred for or by any person, firm or corporation other than this estate should be disallowed.

19. That further compensation to Paul E. Darrow, trus-

tee, should be denied:

20. That no detailed accounting has been rendered showing the operations of "Paul E. Darrow, Chairman Account."

Deming, Jarrett & Mulfinger, attorneys for Stacy C. Mosser, successor trustee, signed the objections and asked that the Final Report and Account as supplemented by Detailed Schedules of Paul E. Darrow, trustee, be disapproved and that this court enter all necessary and proper orders to surcharge the said trustee and the surety on his bond for such sums of money as may be found due

his bond for such sums of money as may be found due 558 and owing to this estate upon a hearing of these ob-

jections.

OBJECTIONS FILED BY THE SECURITIES AND EXCHANGE COMMISSION AND BY STACY C. MOSSER, SUCCESSOR TRUSTEE, TO THE FINAL REPORT AND ACCOUNT OF PAUL E. DARROW, TRUSTEE, AS SUPPLEMENTED BY DETAILED SCHEDULES COVERING THE PERIOD FROM APRIL 25, 1935 TO AUGUST 13, 1943, AND THE APPLICATION OF SAID TRUSTEE FOR ALLOWANCE OF COMPENSATION IN THE MATTER OF NATIONAL REALTY TRUST, DEBTOR.

A. The Objections of the S. E. C. Were Filed on May 15, 1944, While the Objections Filed by Stacy C. Mosser, Successor Trustee, Were Filed on May 29, 1944.

Eight specific grounds are set forth in the objections of the S. E. C.:

1. The first specifies a variance between the Final Report and Account and the Detailed Schedules regarding

operating expenses.

2. The second objection alleges that the Detailed Schedules failed to show interest earned or accrued for several years on certain of the bondholdings of the trustee in several subsidiaries and names Austin Station Building Corporation; Division and Lavergne Building Corporation; Postal Facilities, Inc. (Station F); Grand Rapids Parcel Building Corporation; LaGrange Post Office Building Corporation; and Park View Manor Building Company.

3. It is urged that the Detailed Schedules reveal that Paul E. Darrow as trustee from time to time made unauthorized loans of trust funds to subsidiaries of the trust between the dates of January 7, 1936 and July 26, 1943 totaling \$76,015.50, of which amount the sum of \$69,515.50 was repaid, leaving an unpaid balance of \$6,500.00 as of

August 13, 1943.

559 4. The trustee purchased from time to time various securities from Myrtle Johnson, an employee, who also occupied a fiduciary relationship and from Colonial Securities Company, a corporation owned or controlled by said Myrtle Johnson and Jacob Kulp, who were employees of the trustee occupying a fiduciary relationship and also from associates or affiliates of said Myrtle Johnson and Jacob Kulp a large number of bonds of subsidiary com-

panies, and that by reason thereof these employees and their affiliates and associates and Colonial Securities Company realized substantial profits for which the trustee

has not accounted.

5. That the trustee retained in his employ on a salary basis Jacob Kulp and Myrtle Johnson who have operated a securities business in the same suite of offices with the trustee during the period covered by his Final Report and Account, and that said Jacob Kulp and Myrtle Johnson, through the operation of said securities business, purchased and sold securities of the subsidiaries of the trust utilizing information gained by them in the fiduciary relationship which they occupied as employees of the trustee and that both realized substantial profits by such trading, for which profits the trustee has not accounted.

6. That there is a variance between the report and the Detailed Schedules and the so-called Andrews Re-

port.

7. That no detailed information regarding the purchases and sales of bonds of subsidiary corporations by the "Paul E. Darrow, Chairman Account" is included in either the Final Account and Report or in the Detailed Schedules supplementing the same filed by Paul E. Darrow, trustee, as required by order of court.

8. The S. E. C. objects to the allowance of any further compensation to Paul E. Darrow as trustee upon the ground that the interim fees heretofore received by him are ample compensation for all of the services which he

has rendered in view of the results accomplished, the 560 size and ability of the estate to pay, and particularly

in view of the conduct of the trustee and the administration of this estate. The Securities and Exchange Commission respectfully asks that the Final Report and Account of Paul E. Darrow as trustee be disapproved, that he be disallowed any further compensation and that he and the surety on his bond be surcharged in such amounts as may upon a hearing be properly determined. The signatures appearing in said objections are those of Thomas B. Hart, G. Gale Roberson, Leo J. Powers, attorneys for Securities and Exchange Commission.

B. The Objections Filed by Stacy C. Mosser in the Matter are Identical With Those Interposed By the Securities and Exchange Commission, and While 20 Different Grounds are Listed, the Additional Reasons Assigned Relate to the Following Specific Objections:

1. That the trustee allowed the Colonial Securities Company to share his office without proper payment of ex-

penses.

2. Allowed full-time employees of the trust to engage in business ventures of their own and from which the trust did not receive any benefit; that the trustee permitted Jacob Kulp to deal in insurance and real estate brokerage to the detriment of the estate; that the trustee has failed to account for a portion of reorganization fees received by him and also for interest paid to him or which he should have received on bonds owned by the estate and on bonds purchased by employees or their associates and affiliates. It further urges that the trustee purchased securities from his employees, thus enabling them to make a profit; that he failed to keep proper books of account. In all other respects the objections are identical with those interposed to the Final Report and Account of Paul E.

Darrow in the Federal Facilities Realty Trust matter 561 and are signed by Deming, Jarrett & Mulfinger as at-

torneys for Stacy C. Mosser, successor trustee, and conclude with the prayer that the Final Report and Account as supplemented by Detailed Schedules of Paul E. Darrow, trustee, be disapproved and that the trustee and the surety on his bond be surcharged for such sums of money as may be found due and owing to this estate upon a hearing of these objections.

FINDINGS OF FACT

At the outset I feel impelled to state to this Honorable Court that the voluminous record in this case is due largely to the insistence by the objectors to elicit every minute detail with respect to the particular items which form the basis of their respective objections. At this point I also feel constrained to mention the fact that there was manifested throughout the entire proceedings on the part of counsel for Paul E. Darrow, the former trustee, whose Final Report and Account and Detailed Schedules were objected to by the Securities and Exchange Commission, the successor trustee, and John W. Guild, suc-

cessor trustee under indenture dated October 1, 1929, an earnest desire and willingness to permit the introduction of all pertinent data and evidence in support of the said objections. No attempt was made by Irving Herriott, Esq., senior counsel for Darrow, to hinder or obstruct the introduction into evidence of the mass of documentary proof and the testimony of the witnesses called by the objectors. I shall not attempt to summarize the evidence in the order in which it was presented, but feel that it will serve the

purposes of the special reference of the former trus-562 tee's Final Account and Report and Supplementing

Detailed Schedules together with the objections filed thereto, to present the major objections first and to classify the said Findings with respect to the particular objections interposed by the objectors aforementioned.

A. Findings of Fact Pertaining to General Dealings in the Securities of the Trusts and Their Sub-

sidiaries by Darrow's Employees.

Miss Johnson and Jacob Kulp had been employed by Andresen, Darrow's predecessor, on a part-time basis, with the agreement that they would be allowed to continue their securities business. (Tr. 1639, 2339, 2340) It was largely on the advice of Andresen that Darrow retained Miss Johnson and Kulp in his employ. (Tr. 2150, 2341) Other important considerations appear to have been the intimate knowledge they possessed of the workings of the trusts and subsidiaries, and their personal familiarity with the security holders. (Tr. 2499)

Shortly after Darrow's appointment Miss Johnson made it clear that she would remain, at the salary of \$250 per month, only if she and Kulp were allowed to continue in the securities business through the operation of Colonial Securities Company. (Tr. 699, 700, 707, 708, 1639, 1641) Darrow knew that much of their business had involved

securities of the trusts. (Tr. 711, 2378)

Darrow testified that he discussed this matter with his attorneys just after he became trustee, (Tr. 2339, 2340, 2356) and implies that he received at least tacit approval. However, Adams, Darrow's attorney, does not recall Darrow saying anything to him about Miss Johnson and Kulp conducting a securities business. (Tr. 2493, 2494) Darrow

row testified that he also discussed this arrangement, 563 with his father, Judge Holly, Louis Goldman, Joseph

T. Harrington and Fred Silbert and others, and seems again to imply that he received some sort of tacit approval. (Tr. 2356, 2364, 2377, 2378, 2380) However, it appears that he did not specifically tell these persons that Miss Johnson and Kulp would be dealing in the securities

of the subsidiaries. (Tr. 2360, 2378)

Darrow testified that at the time of these alleged conferences he did not know that Miss Johnson and Kulp were actually dealing in the securities of the trusts and subsidiaries. (Tr. 2364) He was not surprised to learn that this was the fact, however, (Tr. 2378). Adams says he is certain that he did not know that Miss Johnson and Kulp were trading in the underlying securities. (Tr. 2494) In fact he says he was not aware that Colonial, with whom the trusts shared offices (Tr. 46, 48) was owned by Darrow's employees. (Tr. 2495) Adams said he was informed by Darrow that Miss Johnson and Kulp were to be retained only on a temporary basis until he (Darrow) became oriented with respect to managing the trusts. (Tr. 2493, 2507)

During the period of Darrow's trusteeship, Miss Johnson had charge of the office, handled inquiries and complaints, advised the trustee on many phases of management, assisted in the reorganization of the subsidiaries and had available to her complete data pertaining to the subsidiaries, their incomes, expenditures, and sinking funds. (Tr. 51, 52, 367-371, 1928, 1929) Without doubt she was the best informed person in the organization insofar as the trusts and subsidiaries were concerned. (Tr. SS9, 971, 972) She was acquainted with a large percentage of the bondholders (Tr. 69, 972, 1861), and as a consequence was the party with whom most of them conferred regard-

ing their securities. (Tr. 68, 69, 2328).

Miss Johnson enjoyed Darrow's complete confidence (Tr. 54, 1012), and he appears to have been dependent 564 upon her to some extent in the operation of the trusts.

(Tr. 889) Kulp, who for over a year was paid no salary, (Tr. 582, 886, 924, 925, 2150) operated the physical properties for Darrow. (Tr. 583, 584, 887) Like Miss Johnson, he had access to all records and information in the office, (Tr. 52, 888) and enjoyed Darrow's complete confidence. (Tr. 54) His knowledge of the details of the trusts, however, was somewhat less than that of Miss

Johnson. (Tr. 52) When put on a salary basis he received \$300 per month plus free use of an apartment worth

\$135 to \$145 per month. (Tr. 582, 585, 586, 925).

Under these circumstances, Kulp and Miss Johnson, with Darrow's knowledge and apparent consent, engaged in the securities business through the operation of Colonial Securities Company (Tr. 927, 976) a substantial part of whose business consisted of transactions involving the securities of the trusts and their subsidiaries. (Tr. 1649)

Ordinarily Colonial purchased securities from and sold securities to persons outside the organization. (Tr. 976, 1067, 1068) In many instances, however, Miss Johnson purchased bonds of the underlying subsidiaries on behalf of Colonial or on her own behalf, (Tr. 376, 377) and resold them to Darrow as trustee, or as representative of the issuing subsidiary or of the Chairman Account. (Tr. 689, 978, 1067, 1068, 1645, 2288)

At all times Miss Johnson was familiar with the requirements of and the prices being paid by the sinking funds. (Tr. 698, 699, 721, 1012, 1017) She had this information because she aided Darrow in the determination of the amounts to be allocated for sinking fund operations and a tvised with him regarding adjustments in sinking

fund prices. (Tr. 725, 1019, 1021, 1646, 1647)

Darrow had authority to fix the prices the trusts and subsidiaries would pay for bonds, except in the case 565 of seven or eight subsidiaries where the boards of di-

rectors or special trust committees, with which Darrow conferred, (Tr. 1647) set maximum prices. (Tr. 718, 2332) Even in such cases, however, Darrow was usually given discretion to raise or lower the prices within pre-

scribed limits. (Tr. 720)

Darrow testified that prices were determined largely by the speed with which bonds came in. If quickly, the prices were raised; if slowly, the prices were lowered. (Tr. 1008, 1009, 1020) In making these adjustments he conferred with Miss Johnson. (Tr. 726, 727, 1019, 1020) While she testified that Darrow set the prices by himself and that her opinions made little difference, (Tr. 1646, 1647) Darrow's testimony would tend to indicate that her judgments were more important than she admits. (Tr. 1019, 1020) though, according to Darrow, she objected to raising prices as often as she agreed, she never discussed adjustment of prices when she offered bonds for sale. (Tr. 1019)

Thus, when bondholders came into the office desiring to sell bonds Miss Johnson knew what price Darrow was paying (Tr. 721) and purchased at a price below that figure. (Tr. 722, 1866) She told the security holders that they were getting the "market price" for their bonds (Tr. 1863) and purchased on her own behalf or on behalf of Colonial. The bonds so purchased were subsequently resold to Darrow (Tr. 1864). In almost every case Miss Johnson or Colonial made a profit. (SEC Exs. 5 and 6) Occasionally Colonial sold bonds at cost or less, (Tr. 1646) but Miss Johnson testified that she, personally, always sold at a profit. (Tr. 1818, 1819)

Darrow testified that the prices he paid Colonial or Miss Johnson were no higher than those he paid other bondholders. (Tr. 2333) Seldom, he said, at one point in his testimony, was the maximum price paid for bonds pur-

chased from Miss Johnson or Colonial. (Tr. 2333)
566 According to Darrow, his recollection was that he paid Miss Johnson the last price paid unless there had been some significant change in market conditions since the last sale was made. (Tr. 2289, 2290, 2334)

He knew he was purchasing from Colonial and Miss Johnson (Tr. 1021) but denies having any knowledge that they were selling to him at a profit. There is abundant testimony to the effect that Darrow never asked Miss Johnson what she or Colonial paid for the bonds they sold to him. (Tr. 700, 701, 711, 715, 718, 727, 728, 979, 980, 1013, 1021, 1022, 2289 2327 2367) It is also clear that Miss Johnson never volunteered this information. (Tr. 701, 711)

It was Darrow's position that their profits, if any, on sales to him, were none of his concern. (Tr. 948, 1002, 1004) He considered the price asked by Miss Johnson a "personal" matter. (Tr. 1018) He testified that he thought it was appropriate to permit Miss Johnson, Kulp or Colonial to make a profit so long as the price paid them was no higher than anyone else received. (Tr. 2356) He never attempted to bargain or get bonds at lower prices. (Tr. 726) He said he treated Colonial as just another bond house. (Tr. 2330, 2331) He testified that he would expect Miss Johnson and Colonial to sell to him at the highest price obtainable, but does not know whether this thought occurred to him at the time. (Tr. 1021) He never

asked for an accounting (642, 728) nor did he discuss these purchases with his attorneys. (Tr. 948, 980)

Darrow testified that he had no knowledge that people were coming to the office and selling bonds to Miss Johnson, Kulp, or Colonial (Tr. 2327, 2328, 2368, 2369) who would resell them to him at a profit, later in the same day, or a few days later. (Tr. 1863, 1864; SEC Exs. 5 and 6) Occasionally Miss Johnson would bring a bondholder directly to Darrow to sell bonds. (Tr. 1015) when not

567 in the market himself (because of lack of funds) he would refer bondholders to Miss Johnson or Colonial

as prospective purchasers. (Tr. 1016)

There is no evidence that Darrow participated in any explicit scheme or plan to defraud the trusts. Miss Johnson testified that she never received any compensation of any kind from her or from Colonial, and that his only participation was as a purchaser. (Tr. 1819) Although he did not traffic in the securities of the trusts and subsidiaries for personal profit, Darrow was under the impression that he had a perfect right to do so, provided he did not sell to the trusts and subsidiaries at prices higher than those generally prevailing in the market. He refrained from such dealings, he said, only out of consideration for his father and Judge Holly, fearing that his transactions might possibly be attacked unwarrantedly. (Tr. 2351-2356) His attorney, Adams, he said, did not advise him regarding such dealings. (Tr. 2355)

Darrow admited that he had been requested by his attorneys to discharge Kulp and Miss Johnson. He said Adams suggested this in the following words: "'If Miss Johnson and Mr. Kulp remain in there they will gradually get control and take these companies away from you and me both, and neither of us will have any income from them.'" (Tr. 2341, 2342) This seems consistent with the previous testimony of Williamson, a member of the same firm, as related by Goldman. (Tr. 217) Darrow insisted, however, that no one else ever advised him to

discharge these employees. (Tr. 2343)

Adams told a different story. He testified that he advised Darrow to dispense with the services of Miss Johnson and Kulp (Tr. 2499) He denies, however, making the statement attributed to him by Darrow. (Tr. 2501) He said that he raised the question of the discharge of these employees many times, telling Darrow that he

organized and Miss Johnson and Mr. Kulp emerged as controlling the two top trusts, it would be a reflection on his trusteeship and should not be countenanced." (Tr. 2502) He said he felt that if Miss Johnson "stayed in as a close confidential advisor of the trustee, it would not be good for the bankruptcy administration of the

companies." (Tr. 2502)

With reference to securities transactions involving Max and Sally Levy, Emma Johnson, Gilbert Johnson, and George Peterson, there is a gap in the evidence. The testimony establishes that Darrow knew of the Levys' friendship with Kulp (974, 975) and of the other parties' relation to Miss Johnson. (Tr. 975, 975) It is now shown, however, that there was any type of systematic purchase by them through Colonial for subsequent resale to Dar-

row at a profit.

The total cost of all securities of Federal purchased by Darrow and retained by him to the time of his resignation was \$31,864.55. (Final Report and Account; Tr. 1773-1775) Each bond, said Miss Johnson, was purchased by him at market price. (Tr. 1775) At the date of his resignation the bonds were said to have a market value of \$38,321.50 (FR&A; Tr. 1776, 1777). Up to that time \$24,494.34 in interest had been collected. (Tr. 1797) In October 1945, Miss Johnson, in a letter to Roberson, indicated that the market value of these bonds at the time was \$80,885. (Tr. 1778) On September 25, 1946 she stated the market value to be \$87,100. (Tr. 1788)

As of the date of Darrow's resignation there had been a loss on only one group of bonds purchased. The loss on certain Quincy Station Post Office Building Corporation second mortgage bonds amounted to \$220. (Tr. 1780) In-

terest on these collected up to that time, however, 569 amounted to \$1,966.25. (Tr. 1798) On September 25,

1946, Miss Johnson stated that the value of these bonds had risen substantially since Darrow's resignation.

(Tr. 1799, 1800).

The total cost of securities of National purchased by Darrow and retained by Jam to the time of his resignation was \$47,469.25. (FR&A; Tr. 1789) Each bond, said Miss Johnson, was purchased by him at the market price or lower. (Tr. 1789, 1790) No bond was purchased for more than its market value. (Tr. 1790) At the date of his

resignation the bonds were said to have had a market value of \$56,635. (FR&A; Tr. 1791) Up to that time \$21,412.81 in interest had been collected. (Tr. 1797) In October 1945, Miss Johnson, in a letter to Roberson, indicated that the market value of these bonds at the time was \$75,294. (Tr. 1792) On September 25, 1946 she stated the market value to be \$77,179. (Tr. 1796, 1797)

570 B. Findings of Fact Pertaining to Darrow's Purchase of Securities Involved in the Seligman Case.

In 1935, a suit was filed in the Superior Court of Cook County, Illinois, involving the special trust containing securities relinquished to Andresen by Kulp. (SEC Ex. 4, p. 5) A decree subsequently entered therein directed that the securities be sold at public auction on May 6, 1938. Darrow knew of the Seligman case and was aware of which securities were involved in it. (Tt. 1049) Long before the sale was decreed (Tr. 984) he evidently felt that the purchase of those securities by him would be beneficial to the trusts and instructed his attorney to seek permission of the Court to bid for the securities. (Tr. 944) Such permission was denied for reasons which were never brought out in the testimony. (Tr. 945, 2294) Darrow said he felt quite badly at this frustration of his attempt to aid the trusts. (Tr. 954)

Although Darrow was aware that the Seligman sale was about to take place (Tr. 939, 940) and desired to purchase as many of the securities related to the trusts and

subsidiaries as he possibly could (Tr_941), it does 571 not appear that he petitioned the Court for permission to bid at this sale. He would appear to have been under the impression that he was still barred from pur-

chasing those securities.

Other persons were also interested in the disposition of the securities involved in the case. According to Goldman, he was concerned over the possibility that purchase of the securities of the top trusts by an unfriendly party would make adoption of what he considered a proper plan of reorganization of the trusts more difficult. (Tr. 217) He testified that Williamson, one of Darrow's attorneys, was seriously concerned for the same reason "and also for the further reason, as he stated to me, that if those securities perhaps get into the hands of strangers, he might find himself out in the cold because they would con-

trol those top trusts and Mr. Darrow would probably have no further interest." (Tr. 217) Goldman further testified that Williamson stated that it was his opinion that Darrow was in no position legally to make any bid. (Tr. 218, 226) He also said that Williamson, Norman Miller (one of his associates), and he discussed the situation several times with Miss Johnson and perhaps Darrow—but he was not sure whether Darrow was at the conferences (Tr. 218). It was suggested that perhaps Miss Johnson could induce Baumann, who had an interest, to bid at the sale. (Tr. 219)

Sometime later, according to Goldman, Miss Johnson informed him that she could furnish the purchaser and the funds if he could arrange for the purchase of the securities at a price under \$25,000. (Tr. 220) He suggested that Michael Tauber and Co. be engaged to make the purchase for a brokerage commission, since he did not want to appear as the purchaser. (Tr. 220) He said that he was satisfied, after talking with Miss Johnson,

that "those securities of the top trusts would be avail-572 able for a plan of reorganization that would be a securitable to and approved by the bondholders and these

interested." (Tr. 220)

Goldman made the arrangements for the purchase in Michael Tauber & Co., giving them authority to bid up to an amount which, including their commission would not exceed \$25,000 for all the securities. (Tr. 221, 285, 302)

At the sale the securities were segregated into two groups—Lot I, which consisted of bends of the subsidiaries in the principal amount of \$199,000 was bid in at \$8050. Lot II, which consisted of securities of the top trusts of \$1,178,720 par value or stated value \$286,100 principal amount of Federal bonds, 62,358 units of beneficial interest of Federal and 10,761.6 units of beneficial interest of National. (Tr. 286, 468, 1123, 1124, 1844) were bid in at \$15,001. Thus all the securities were purchased by Michael Tauber and Co. for \$23,051 (Tr. 268) on May 6, 1938 (Tr. 395). Michael Tauber & Co.'s commission—five per cent—amounted to \$1,152,55 (Tr. 302).

Goldman's ledgers indicate that he gave Michael Tauber & Co. his firm's check for \$7,700 on an "exchange of checks" transaction on the day of the sale, May 6, 1938. (Tr. 255, 256) Miss Johnson testified that she gave Gold-

man a check of Max Levy payable to Goldman, Allshouse and Healy (Tr. 424) dated May 9, 1938, for a like amount (Tr. 260, 261), however there is no testimony as to the date of transfer.

Goldman's ledgers also indicate that he gave Michael Tauber & Co. his firm's check for \$16,503.55 on another "exchange of checks" transaction on May 19, 1938 (Tr. 255, 256), the day the securities were turned over to Michael Tauber and Co., by Master Bolton. (Tr. 287, 288) Miss Johnson testified that she gave Goldman a check of Max Levy payable to Goldman, Allshouse and Healy (Tr.

424) for \$2300 which was dated May 16, 1938, and a 573 check of Colonial for \$14,203.55 dated May 19, 1938.

, (Tr. 389) It would appear that these checks were

transferred on the 19th. (Tr. 416)

The two checks of Max Levy to Goldman's firm resulted from a loan made by him to Miss Johnson and Kulp as individuals. (Tr. 388, 424-426) No note was given to Levy to evidence the transaction nor was he promised any lien upon the securities which were to be purchased.

The \$14,203.55 check of Colonial was charged off as

follows:

Max Levy Special Account \$13,853.55

George Peterson Account 350.00 (Tr. 501, 503) Between May 6, 1938, the date of the sale, and May 16, 1938, Darrow had agreed to purchase some of the bonds of the subsidiaries in Lot I from Miss Johnson for \$12,447.55. (Tr. 422) In pursuance of this agreement he delivered to her fifteen (15) checks of the trusts, the subsidiaries and the Chairman Account, totalling that amount, (Tr. 413-415) on May 18, 1938, (Tr. 402) with the understanding that he was to get delivery of the bonds within a short time. (Tr. 950) Such delays in delivery were fairly frequent occurrences in the bond transactions of Miss Johnson and Darrow. (Tr. 994, 2324-2326) and neither recalled any discussion pertaining to the reason for the delay in this case. (Tr. 950, 2325) On the 18th, the day Miss Johnson received them, those checks were deposited in Colonial's bank account. (Tr. 420)

On the next day, Colonial drew its check for \$14,203.55 charging the Max Levy Special Account and the George Peterson Account in the amounts indicated above. (Tr. 389, 391) The Colonial check was given to Goldman (Tr.

416) who in turn issued his check to Michael Tauber & Co. as described above.

Miss Johnson said her original plan to raise the \$25,000 contemplated a \$10,000 loan from Max Levy and a 574 \$15,000 loan (Tr. 408, 433) or possibly a \$25,000

574 \$15,000 loan (Tr. 408, 433) or possibly a \$25,000 loan from Baumann. (Tr. 2029) As it turned out, Baumann did not participate. (Tr. 1837, 1838) Miss Johnson testified that after the sale, but prior to the confirmation, she told Darrow "what I was going to do, and at that time he decided he ought to participate in that." (Tr. 408) According to Miss Johnson no arrangements of any kind were made with Darrow before the sale. (Tr. 407, 408) She testified that when Darrow asked from whom he was going to purchase she told him that Michael Tauber & Co. had purchased the securities at the sale on her behalf. (Tr. 410, 422, 423) At another point in the testimony, when directly asked whether Darrow inquired from whom he was purchasing the securities, Miss Johnson answered, "I told Mr. Darrow that I was issuing a check to Goldman, Allshouse & Healy for the balance of the cost of these securities, after deducting the money I had already sent to Mr. Goldman's office." (Tr. 412)

Darrow's testimony on this point is quite varied. He denied that Miss Johnson told him that Michael Tauber and Co. was purchasing for her. (984, 986, 2292) He said he had no idea that Miss Johnson was purchasing at the judicial sale. (Tr. 946) At other points in the hearing, however, he was not so positive. He testified that he did not know whether Miss Johnson was handling the securities for her own account or as an agent for someone else. (Tr. 947) He testified that he was not sure but thought he knew where Miss Johnson had acquired the securities. (Tr. 2323) Finally he testified that Miss Johnson's version of the transaction was accurate. (Tr. 2371-2373) He said he probably learned of the source of the bonds between the time he agreed to buy them and the time. they were delivered—but said that this was a guess. (Tr. 2372, 2373) He said he did not discuss the matter with his attorneys prior to the purchase. (Tr. 2373)

575 Both Darrow and Miss Johnson, prior to the sale, had written lists of the securities that were to be offered at the sale. (Tr. 512, 941) From such a list he selected the bonds he wanted. (Tr. 941) He made a written memo of the bonds he was to get (Trustee's Exhibit of

Jan. 3, 1945) as he said it was his habit to do when delivery of securities purchased was deferred. (Tr. 990) The memorandum was dated May 16, 1938 (Tr. 992). It described the issuer of, the par value of, and the amount being paid for the bonds he agreed to purchase. The par value of the bonds totaled \$128,700. (SEC Ex. 21, Trustee's Ex. of Jan. 3, 1945) Thus with knowledge that his employee had arranged the transaction Darrow purchased 64+% of the bonds (in terms of principal amount) in Lot I for 154%+ of the purchase price of the whole Lot I.

The testimony of Miss Johnson and that of Darrow are in agreement that he never asked her the price at which the securities were purchased by Michael Truber and Co. at the sale. (Tr. 411, 423, 947, 948) She testified that she did not give him this information (Tr. 408) and he said that he did not recall reading anything about the sale. (Tr. 958) Although one of his attorneys, Williamson, attended the sale, Darrow testified that he did not instruct him to do so. (Tr. 945) He said that he did not check on the date of sale, the confirmation, or the price. (Tr. 946, 947) He was not interested in what Miss Johnson paid for the securities, (Tr. 948) and felt that it was not any of his business if his employees made a profit (Tr. 948) He said he first learned at the hearing that Lot I, was purchased for \$8050 (Tr. 954), admitting that he read only the first few pages of the Andrews Report. (Tr. 955, 956)

· According to Miss Johnson the prices agreed on by herself and Darrow were set independently of the price Michael Tauber & Co. had paid. (Tr. 411) Darrow says that he referred to his record sheets to learn the prices

at which the bonds were currently selling and set a 576 price around that figure, just as he would have done in any other instance where Miss Johnson offered him bonds. (Tr. 2292) Miss Johnson said quite definitely that Darrow himself set the prices he would pay. (Tr. 409)

Miss Johnson testified at one point that the prices set were "about the prices at which the securities were selling or that we had paid for securities at that time." (Tr. 409) At another point she testified that the market value of the securities she sold Darrow was \$20,120. (Tr. 1804)—which would indicate that Darrow got a

great bargain. Goldman, however, was of the opinion that the whole of Lot I plus Lot II were not worth \$25,000.

(Tr. 336)

In a meeting at the Continental Illinois National Bank and Trust Co., on May 19, 1938, (Tr. 420) at which, according to Goldman, (Tr. 220, 221) Master John F. Bolton, Mr. Biossat (who represented the plaintiffs), Richard Levy and another representative (Tr. 292) of Michael Tauber & Co., Miss Johnson and Goldman were present, the securities were delivered by Master John F. Bolton to Richard Levy. (Tr. 220, 221, 428, 429) At this time the securities were all in one lot. Levy then turned them over to Goldman in return for checks in the amount of \$16,503.55. (SEC Ex. 1; Tr. 220, 221, 428, 429) Goldman then separated the securities into Lots I and II, as they had been sold, (Tr. 429). He released Lot I to Miss Johnson and put Lot II in a safety deposit box in the bank vault. (Tr. 222)

After this meeting, Miss Johnson said she returned to the office, gave Parrow the securities he had paid for, (Tr. 398, 509, 510) and put the remainder in Colonial's safety deposit box. (Tr. 398) Thus, the bonds of Lot I not purchased by Darrow were retained by Colonial. (Tr. 730) It should be noted that Darrow never inquired as to the disposition of those securities which he did not purchase.

(Tr. 510, 511)

Certain of the bonds were sold and the proceeds used to repay the \$10,000 loan from Max Levy, (Tr. 437, 438) on which interest accrued at the bank rate (Tr. 425). In addition, Levy got a bonus of Station "F" bonds of the par value of \$6,000 which had a market value, according to Miss Johnson, of \$1,800. (Tr. 602; SEC Ex. 2) George Peterson received Crandon bonds of the par value of \$4,000 which had a market value which we can compute to be \$1,200 (SEC Ex. 2) as repayment of and a bonus for his \$350 loan. Tr. 606; SEC Ex. 2) Others were sold by Colonial to its customers from whom some of these bonds were later purchased by Darrow (Tr. 732).

Excluding the \$6,000 of bonds given Max Levy, and excluding the \$4,000 of bonds given George Peterson, the securities in Lot I not purchased by Darrow totaled approximately \$60,300.00 in par value. These securities were sold for \$19,457.50. (SEC Ex. 2) Adding to this \$3,000.

the market value of the bonds given as bonuses, we find that the remaining bonds in Lot I in fact yielded to Colonial the sum of \$22,457.50. The total yield from all the bonds in Lot I was thus \$34,905.05.

As mentioned above, Lot II was retained by Goldman and put into a safety deposit box in the Continental Illinois National Bank and Trust Co.'s vaults (Tr. 230). The box was registered in Goldman's name (Tr. 230,

429).

At best, the position of Goldman throughout the entire series of transactions was never made very clear. He testified at different times that he did not know whether he represented anyone (Tr. 222), that he did not know who he represented (Tr. 225), and it was up to the court to determine who he represented (Tr. 264). He said he received no fees (Tr. 222) and steadfastly maintained that his actions were motivated only by a desire to prevent

obstacles being cast in the path of reorganization of 578 the top trusts by seeing to it that the securities in Lot

II were kept in friendly hands. (Tr. 217, 220, 225, 227, 232) This desire arose, he said, from the fact that his firm represented many petitioning creditors of the trusts. (Tr. 222) It should also be noted that at this time Goldman represented two of the subsidiaries and in fact represented Darrow in litigation then pending. (Tr. 213, 214)

Goldman said that he did not know who the prospective purchaser was, but was assured that the securities of the top trusts would be left with him until such time as reorganization was feasible. (Tr. 225) In fulfillment of this agreement, he said, Lot II was retained by him and put into the safety deposit box. (Tr. 230) Miss Johnson said she allowed Goldman to keep the securities in his box because he was also interested in preventing them

from getting into foreign hands. (Tr. 433)

In view of his testimony that the purchaser was unknown to him (Tr. 225), Goldman's notions pertaining to the ownership of the securities in the safety deposit box were the subject of considerable inquiry. He said that he claimed no interest in the securities personally (Tr. 223), but would surrender them only to such person as could establish ownership to his satisfaction (Tr. 227) When pressed as to whom he thought was entitled to vote the securities in a reorganization, he dodged the question

by answering that it was important not that the securities be voted for a favorable plan, but rather that they not be voted against such a plan. (Tr. 298, 299) He was also evasive when asked who he thought would be entitled to file claims based on the securities in reorganization proceedings. (Tr. 298) He said that while he did not know, it was his opinion that the securities belonged to the Baumann interests in New York. (Tr. 314)

From the evidence taken as a whole, the conclusion seems justified that whether or not Goldman knew who 579 financed the deal, and on that point there is some doubt (Tr. 226, 228, 229, 282, 301, 402) he must have been aware that Miss Johnson and Kulp were the real purchasers at the sale and the owners of the securities in his safety deposit box. On the stand, Goldman said that he was the only person who had access to the safety deposit box. (Tr. 272) Miss Johnson's testimony, however, disclosed that within a week after he received the securities, Goldman executed a power of attorney to Mrs. Hattye Kulp enabling her to enter the box. (Tr. 429, 431) Goldman's account of his relationship with the parties involved in the purchase must be regarded as beyond. belief. Goldman knew Miss Johnson was employed by Darrow. (Tr. 277) It is probable that his general evasiveness and lack of truthfulness stemmed from his reluctance to disclose that he represented the trustee's employees in the matter of the purchase.

It would appear that Miss Johnson and probably Kulp, (the purchasers) and Goldman had similar ideas concerning the role of the Lot II securities in the reorganization of the trusts. (Tr. 218) Why, then, were the securities not kept in the possession of the owners? Why were they allowed to remain in a safety deposit box in Goldman's name, to which Mrs. Kulp had a power of attorney for access? The explanation may be discovered

in Miss Johnson's testimony.

When asked who owned the Lot II securities Miss Johnson said that Baumann, Kulp and she were the owners. (Tr. 435) Questioned as to the manner in which Baumann acquired his interest she explained that she and Kulp had made an arrangement designed to assure repayment of a debt of \$50,000 owing from Kulp to Baumann and a debt on \$75,000-\$78,000 (Tr. 1827, 1829) owing from Kulp to Mrs. Baumann. (Tr. 1826, 1827)

In June of 1930 Baumann had loaned Jacob Kulp and Co. \$80,000 in cash, taking as collateral certain securi-580 ties of the subsidiary corporations. (Tr. 1958, 1959)

This loan was personally guaranteed by Kulp. (Tr. 1960) In July of 1930, National Realty Trust was organized by Kulp and a few months later (Tr. 1966) there occurred an exchange by which Baumann surrendered the original collateral for a certificate representing 10,000 shares of beneficial interest in National, which certificate was endorsed by Kulp. (Tr. 1963) Only \$30,000 of the principal amount of the loan was repaid. (Tr. 1959, 1962) While Baumann still has the 10,000 shares of National (Tr. 1964, 1965, 1980), it appears that they are insufficient collateral for the remaining \$50,000 of the debt plus interest accrued and unpaid since 1932.

Mrs. Baumann in May 1930 turned over to Kulp \$75,-000—\$78,000 of marketable securities which Kulp pledged with the New York Trust Co. as collateral for a loan of \$60,000. (Tr. 1828-1830, 1431, 1436) This loan was not repaid. (Tr. 1831) The collateral was sold but was insuffi-

cient to cover the amount of the loan. (Tr. 1831)

In order to assure repayment of these loans, Miss Johnson said (Tr. 1845) she and Kulp claimed only equal residuary interest in the Lot II securities, the claims of Mr. and Mrs. Baumann being given priority. (Tr. 1826, 1827) According to Miss Johnson, these unpaid loans created a great deal of dissension within the Kulp family. . (Tr. 434) Evidently Mrs. Kulp felt more strongly about the debts than did Mr. Kulp. (Tr. 439) (It should be kept in mind that Mrs. Baumann was only a step-daughter of Kulp.) (Tr. 1437) It would seem that the mere fact that an arrangement had been made to give Baumann priority was not enough to satisfy her. Thus, Miss Johnson said the only reason that Mrs. Kulp was given a power of attorney for access was to assure that these loans would be repaid. (Tr. 435) Mrs. Kulp had the power, at any time, to remove all the securities. from the box for the benefit of the Baumanns. (Tr. 435, 436)

581 Thus, it is clear not only why Goldman, rather than Miss Johnson or Kulp kept possession of the bonds, but also why Mrs. Kulp had the power of attorney for access.

In the reorganization of the trusts, Miss Johnson filed claims based on the Lot II securities, on behalf of Baumann, Kulp and herself. (Tr. 1826) In the plan that was finally worked out these claims, according to Goldman, were subordinated to those of the holders of similar securities. (Tr. 222, 223)

582 C. Findings of Fact Relating to Placing of Insurance by Jacob Kulp.

For over twenty years Jacob Kulp, dealing with the public as a broker, has written a full line of insurance through L. A. Rose & Co. (Tr. 549, 550) Prior to Darrow's trusteeship Kulp wrote all the insurance on the property of the subsidiaries, and no change occurred when Darrow took over. (Tr. 102, 103) Darrow said he merely told L. A. Rose & Co. to write renewal policies each year. (Tr. 2344) Thus, during the period of Darrow's trusteeship Kulp continued to receive commissions on the insurance covering the trusts' property. (See Trustee's Ex. 12 of 5/28/47)

Kulp received only the standard broker's commission on the insurance he wrote. (Tr. 549, 561; Trustee's Ex. 4) The policies he wrote were admittedly satisfactory and all losses were paid promptly. Kulp did much to reduce hazards which existed on the properties and thus effected substantial reductions in premiums and rates. (Tr. 565) Due largely to Kulp's good standing with L. A. Rose & Co., policies were kept in force when premiums were over-

due. (Tr. 572, 573)

Kulp's name appeared on all the statements sent to the trusts by L. A. Rose & Co. (Tr. 102; see Trustee's Exs. 5 and 6) Darrow was at all times aware that Kulp was writing the insurance and receiving commissions. Darrow said that in the first meeting he had with his attorney, Robert McCormick Adams, Jacob Kulp and Miss Myrtle Johnson, Adams asked if Kulp wrote the insurance. Kulp stated that he had done so ever since the properties were built. Adams then asked, according to Darrow, what the commissions amounted to and Miss Johnson or Kulp stated that they ran about \$200 per month. (Tr. 2150, 2151) Miss Johnson and Kulp indicated that they could not work for Darrow unless allowed to continue this operation.

583 (Tr. 2339, 2340) This, said Darrov, was the only time he talked to Adams about the matter. (Tr. 2340) Adams does not recall any such meeting as that of which Darrow spoke, and is sure that he did not know that Kulp

was receiving part of the premiums as commissions. (Tr. 2495-2498) In fact, he says, he never discussed the matter

with anyone. (Tr. 2512)

Darrow testified also that he told Judge Holly that Kulp was to be permitted to retain the commissions on the insurance he wrote on the subsidiaries and that the Judge said that this arrangement was "all right." (Tr. 2379) He says he told the Judge that Kulp would not work for the trusts unless allowed to write this insurance. (Tr. 2380, 2381)

Kulp carried on his insurance activities, which appear to have included other than the trust properties, from the Colonial office until that office was given up. (Tr. 587) After that he operated from the office of Darrow. (Tr. 586) His testimony indicated he had no definite knowledge with respect to the payment of rent to Darrow for the use of the trusts' office and repeatedly stated Miss Johnson would know about the arrangement. (Tr. 588-590) During the period of Darrow's trusteeship Kulp collected \$16,148.83 in commissions from insurance written on trust properties. (Trustee's Ex. 12 of 5/28/47) Darrow stated that he never received any part of Kulp's commissions nor in any way personally profited from this arrangement. (Tr. 2153)

D. Findings of Fact Pertaining to Quincy Station Post Office Building Corporation Dividend.

During the period of its management, Jacob Kulp & Co. mingled its funds with those of the subsidiaries in its own bank accounts. In these bank accounts Jacob Kulp & Co. deposited its capital of \$100,000, \$90,000 borrowed from Baumann, \$60,000 borrowed from the New York Trust Co. on Mrs. Baumann's securities, the proceeds of other loans, commissions on insurance written, the income from those companies wholly owned by Jacob Kulp, and the proceeds of Jacob Kulp & Co.'s general securities dealings. (Tr. 1349, 1353, 1354, 1360, 1364-1366, 1376, 1425, 1430, 1433, 1434, 1592, 1602-1604) (SEC Ex. 22)

1430, 1433, 1434, 1592, 1602-1604) (SEC Ex. 22)

In this "jack pot" (Tr. 1478) bank account were also deposited the rentals of all but three of the subsidiaries. (Tr. 1360, 1430, 1431, 1434) Funds from the remaining three subsidiaries which had independent bank accounts, as required by their mortgage indentures, found their way into the common bank account by means of withdrawals

made by Kulp and Miss Johnson as officers of the subsidiaries, after the bonds covered by the indentures had been

serviced. (Tr. 1380-1389, 1427-1429, 1442)

Co. to record receipts and disbursements of these commingled funds. Each of the subsidiaries whose funds were mingled had its separate account and was given credit for its deposits in the form of accounts receivable against Jacob Kulp & Co. (Tr. 1360, 1365-1367) Bond issues floated by the subsidiaries were handled in the same manner,—Jacob Kulp & Co. took the bonds and credited the issuer with an amount equal to par less the discount as an account receivable. (Tr. 1391, 1430, 1503, 1504, 1540-1546, 1524, 1525)

All the cash requirements and operating expenses of the subsidiaries were met out of these bank accounts. (Tr. 1364, 1365) Coupons were paid, and bonds were retired. (Tr. 1364, 1365) Buildings were constructed. (Tr. 1505) Management fees were charged against the credit balances of the subsidiaries after 1929. (Tr. 1378, 1435) On many occasions disbursements were made on behalf of subsidiaries in amounts larger than their current credit balances. These advancements were recorded as accounts receivable against the subsidiaries in favor

of Jacob Kulp & Co. (Tr. 1376)

Similarly, out of these bank accounts all the operating expenses of Jacob Kulp & Co. were paid. (Tr. 1364, 1365) These disbursements were made regardless of the credit balance of Jacob Kulp & Co., the adjustments being made on the books by crediting various subsidiaries with accounts receivable. (Tr. 1376, 1377) Disbursements made to Kulp individually were credited as accounts receivable from him as an individual rather than from Jacob Kulp & Co. (Tr. 494) In this fashion there arose an account receivable by Quincy Station Post Office Building Corporation (hereinafter called Quincy) from Kulp in the amount of \$100,000.

Under the terms of the agreement by which Kulp in 1929 transferred to Federal the stock of the subsidiaries;

including Quincy, Federal issued to him various of its 586 securities and assumed his obligations of \$206,178.23 to the subsidiaries (SEC Ex. 8), among which was this

account receivable of \$100,000 due Quincy. In the agree-

ment the \$206,178.23 obligation is spoken of as one of Jacob Kulp individually, rather than of Jacob Kulp & Co. However, Miss Johnson testified that she did not believe the \$100,000 was owing by Kulp personally. (Tr. 497) Kulp testified in an extremely vague and confused manner to the effect that no debit was really owed Quincy since he had never claimed management or organization fees. (Tr. 609-620) It should be noted, however, that in the agreement between Federal and the subsidiaries, Kulp assumed personal liability as a guaranter for payment of the \$206,178.23. (SEC Ex. 8)

On November 22, 1930, the directors of Quincy, who were Miss Johnson, Jacob Kulp and his son, Lee Kulp, declared a dividend of \$100,000, payment being effected on January 2, 1931, by a book entry canceling the \$100,000 due from Federal which owned all the stock. (SEC Ex. 9) Thus, Kulp personally benefited from the dividend by being relieved to the extent of \$100,000 from his liability

as a guarantor.

As trustee of Federal Darrow operated Quincy's business (Tr. 872) and continuously occupied the office of president and a position on the board of directors. (Tr. 863, 864) Shortly after his appointment Darrow, in the capacity of president, caused an audit of the corporation's books to be made by Scovell, Wellington & Co., certified public accountants. This audit, based on sound accounting theory, indicated that the corporation had at the time of declaration of the dividend a surplus of at most \$69,407.59 available for dividends. (SEC Ex. 10) Hence it was clear that the subsequent payment of this dividend resulted in an impairment of the corporation's capital to the extent of \$30,592.41. Upon learning that such

587 was the situation Darrow's attorneys filed a suit on behalf of the corporation, a companion representative proceedings on behalf of one Marie H. Boord, a creditor (SEC Ex. 14), and a petition in the reorganization proceedings on behalf of Quincy as debtor in possession seeking from Miss Johnson, Jacob Kulp and Lee Kulp, an accounting with respect to the illegally declared dividend.

For some time no effort was made to press these cases. Finally the point was reached at which it became necessary to determine once and for all whether these suits were to be prosecuted vigorously or to be dismissed.

(SEC Ex. 20) Darrow requested an opinion from his attorneys as to the wisdom of proceeding further with the cases. On February 3, 1938 he received a letter of opinion from Adams, Nelson and Williamson (SEC Ex. 20) which contains much information that should be noted.

In the minds of his attorneys, who did not take into consideration the financial condition of the defendants, there was some doubt as to the capacity of the corporation to be party plaintiff in these proceedings. There was another procedural difficulty in the representative suit arising from the fact that Mrs. Boord, the nominal plaintiff, had sold her bonds and did not know who the purchaser was. This development created the need for additional proper parties plaintiff in the representative suit. In conclusion the letter stated:

"In our opinion there is also about an even chance of making a recovery against Jacob Kulp, Lee H. Kulp and Myrtle Johnson. The defendants have indicated by their action to date that they will raise every possible technical defense, and a long arduous legal battle is to be anticipated. The case would undoubtedly be referred to a master in chancery who would probably require a deposit of \$500 to \$1000 for his costs before commencing his hearings. In addition to that expense we would be faced with the necessity of producing expert accountants to sustain our theory of the case, and this would cost you probably an additional \$500.

"Our firm would be willing to handle the case upon a semi-contingent basis. We would require a retainer of \$500 and a contingent fee contract calling for one-third of the amount collected. The \$500 retainer would be kept by us whether or not any recovery was made, but we would credit it against any contingent fee earned." (SEC Ex. 20)

It was suggested by his attorneys that Darrow investigate the financial responsibility of the defendants so that their ability to satisfy any judgment which might be rendered could be determined. (SEC Ex. 20) The entire extent of Darrow's investigation was the procurement of Hill's Reports on Miss Johnson, Jacob Kulp and Lee Kulp, (Tr. 891, 894), to which, as will be seen, he gave little weight. (Tr. 903) On June 7, 1938 Darrow reported

to the other members of the board of directors of Quincy, recommending that the suit be dismissed. Pursuant to this recommendation a resolution was adopted directing dismissal, and all proceedings were dismissed by agreement on June 20, 1938. The reasoning upon which Darrow's recommendation of dismissal was based may be observed by study of the transcript of his remarks contained in the minutes of the board meeting.

liable on this account.

"At the time the dividend was declared the books of the company showed a surplus in excess of \$100,000 as shown by an audit of Charles Banks & Company as of October 31, 1930. When I was made Trustee of the Federal Facilities Realty Trust, the owner of the stock of this corporation, I secured an audit by Scovill (sic), Wellington and Company, in which they stated the declaration of this dividend actually created a deficit of approximately \$32,000.00 in the earned surplus account.

"During the course of the reorganization, a demand was made by Mr. William Healy, attorney for the 589 Bondholder's Protective Committee formed in St. Louis, Missouri, that a suit be started for this amount —\$100,000. I asked the Court for instructions and was advised to start it. No investigation was made of

the merits of the suit.

"Since that time and since the completion of the reorganization, we have been advised by Mr. Healy that he would favor withdrawing the suit. Mr. Swanstrom, an attorney wso represented Mr. Healy in Chicago made the statement to me he thought the suit was of questionable merit.

"You will remember this matter was brought up at our Board meeting in January, 1938, and the Board suggested I should get a letter from Mr. Williamson advising us what should be done and the probable cost of the suit and also get a report on the financial responsibility of the defendants.

"Unfortunately, Mr. Williamson did not give us a clear answer but I did get the information that it would cost us between \$1,000 and \$2,000, and if a recovery is made, we would only get two thirds of that.

"I asked Hill's Report, Inc., to make a statement of the individual financial responsibilities. Hill's are one of the best reporting agencies in Chicago. A copy of this report was mailed to each member of the Board. It really gave little information but the presumption was that a judgment might produce some money. This was largely inferred because of the possession by Jacob Kulp & Co., (the controlling stock of which was owned by Jacob Kulp) a few years ago of approximately \$200,000 bonds of the properties underlying the Federal Facilities Realty Trust and the National Realty Trust.

"I can understand this report probably better than the rest of the Board because of my close association with each of the defendants during the past three years.

"I know the bonds were in their possession and 1 know they were turned over to my predecessor George H. Andresen as Trustee for the benefit of the original owners. The major portion of the bonds were given to Jacob Kulp & Co. in exchange for securities of the two trusts before mentioned. The Department of Justice, several years ago after investigating the formation of these Trusts, asked that all of the assets of Jacob Kulp & Co. be turned over to Mr. Andresen for exchange back to the original owners as nearly as possible. As a result, Jacob Kulp & Co. had no assets and a bankruptcy petition was filed in 1933. When I succeeded Mr. Andresen in 1935, I expected to receive these securities but my attorney advised against it and Mr. Melvin Hawley was made trustee. Since the first 590 of this year these securitites have been sold at auction by order of Court and the money received has been used for payment of legal fees and distribution to almost a million dollars of claims. The claimants will get probably one per cent of their claims.

"Naturally, Jacob Kulp and Myrtle Johnson do not want to tell one of the credit reporting agencies that they have nothing. They have organized the Colonial Securities Company to handle purchases and sales of securities for customers which is the business they have always been in but, of course, no money has been made by any one in the securities business for several years. They hope they can continue because we all hope some day this business will again make money.

"Lee H. Kulp, the son of Jacob Kulp, is connected with the Empire Cooler Company, I think as President. I do not think he has much money in it, but he is a good business man and has a good reputation. I think friends have put up the money to carry on the business, but he, like his father, does not like to say he

has nothing but his salary.

"I urged Mr. Kulp a year ago to go through bankruptcy for I think he has no chance to pay his creditors. I have been told he has few obligations except
those arising from the real estate collapse. As an individual, as well as on behalf of Jacob Kulp & Co., he
guaranteed to repurchase thousands of dollars of real
estate bonds and unless he does go through bankruptcy I think he will never be able to get on his feet financially. He owes these various corporations about 40000 on stock subscriptions and I know it will be a
waste of money to sue for it. He is still optimistic and
does not want to go through bankruptcy, but I am certain that he will do it if we prosecute this suit. I think
he will be compelled to anyway.

"I believe Miss Johnson and Lee Kulp will also be forced into bankruptcy if we prosecute the suit because I think they do not have the money to hire a lawyer to defend it even though they have no liability and it will not hurt them individually any more to take bankruptcy than it will to have a suit of this kind

tried.

"This Board of Directors must take the responsibility of pushing this suit or withdrawing it. No one else will do it. I do not like to spend several thousand dollars to fight a suit that is really an argument between accountants as to what constitutes surplus in a corporation and know if we do win it, we will be un-

able to collect any part of a judgment. On this account, I recommend the suit be withdrawn and that the necessary action be taken today before we act on Mr. Flax-

man's resignation." (SEC Ex. 19)

Some of the reasons why Darrow thought the Hill's Report did not accurately reflect the financial situation of the defendants appear in his remarks to the Board. However, he did not satisfactorily indicate the sources of his knowledge. He says he never asked Miss Johnson or Kulp for a statement of their individual assets or liabilities, nor did he think he questioned them as to their financial responsibility. (Tr. 890) He said he had no need to ask for such information because in the several years he had been trustee he had learned the situation. (Tr. 890) Questioned further as to basis of his opinion that the defendants were judgment-proof he seemed to attribute his knowledge to some sort of mystic prescience; "Sometimes you can't explain things in words, although you know they are true." (Tr. 891)

It should be noted that a week prior to the Board meeting at which he recommended dismissal Darrow had purchased part of Lot I of the Seligman securities from Miss Johnson for \$12,447.50. Darrow would have been able to ascertain the financial situation of Colonial Securities had he desired to do so since its books were kept in his office. (Tr. 122) Had the relationship between himself and the defendants been different perhaps he might have investigated further. As he said "There was no animus in those suits. We were just as friendly as if they had not been

filed." (Tr. 890)

It is, of course, impossible to say that had the suits been prosecuted they would have resulted in judgments against collectible defendants. It is, on the other hand, however, equally certain that Darrow's investigation as to the financial responsibility of the defendants was not sufficient.

On July 20 1938 the District Court, on petition of Darrow as president of Quincy, ratified his act in dismissing the two lawsuits and dismissed his petition in the re-

organization, proceedings.

E. Findings of Fact In re. Accounts Receivable Sold by Maurice Klein, Trustee in Bankruptcy, in Liquidation of Jacob Kulp & Co.

As set out in detail supra (p. 37-44) Jacob Kulp & Co.

during its period of management commingled its funds with the funds of the subsidiaries in its own bank accounts. Advancements made to the weaker subsidiaries in excess of collections were considered accounts receivable due Jacob Kulp & Co. The moneys of the subsidiaries deposited in the Jacob Kulp & Co. bank accounts were reflected as accounts payable on its books, but the amounts due the subsidiaries from Jacob Kulp & Co. almost always exceeded by substantial sums the total bank balances of Kulp & Co. Hence the advancement made to the weaker subsidiaries in excess of collections which were considered accounts receivable due Jacob Kulp, & Co. were in reality funds diverted from the more prosperous subsidiaries.

(SEC Exs. 22 and 23)

On October 31, 1936, (Tr. 1170) Maurice Klein, the trustee in bankruptcy of Jacob Kulp & Co., sold to Michael Tauber & Co., which was acting on behalf of Miss Johnson (Tr. 1202, 1203) the assets of the bankrupt for \$1,500. (Tr. Ex. 1 of Apr. 10, 1946; Tr. 1205, 1241, 1257, 1258) Included in the assets so purchased were miscellaneous securities, certain interest coupons, the books and records of the bankrupt, and accounts receivable from the trusts, their subsidiaries, and one other Kulp-conceived corporation, in amounts totaling \$172,436.47. (Tr. Ex. 1 of Apr. 10, 1946; see also Tr. Exs. 3, 3A, 3B and 3C of April 10, 1946; Tr. 1146-1164) It does not appear that the books and records were specifically included in the trustee's sale but all parties to the transaction seem to have considered them as passing thereby.

Prior to the sale Miss Johnson and Jacob Kulp discussed with Joseph Baumann the fact that the sale was to take place. (Tr. 1169, 1170, 1994, 1995) and convinced him that the acquisition by him of the accounts receivable would provide additional protection for the lens made by him and his wife to Kulp. (Tr. 1208, 1995, 1999, 2004-2011, 2059-2064) Miss Johnson arranged to be his agent insofar as the purchase of the accounts receivable was concerned. (Tr. 1169, 1182, 1207, 1208) Her motives do not appear to have been wholly altruistic, however, for she and Jacob Kulp wanted the accounts receivable in "friendly" hands which would facilitate what they conceived to be a proper reorganization of the subsidiaries and of the trusts. (Tr. 1175, 1199, 1200, 1878-1880) It

should be noted also that they appear to have had an understanding with Baumann that the accounts receivable would be turned back to them upon repayment of the loans

on which Kulp was obligated. (Tr. 1201, 1880)

The cost of the accounts receivable to Baumann, according to their agreement, was to be the difference between the total purchase price of all the assets and the amount for which Miss Johnson could dispose of the other assets purchased. (Tr. 1183, 1203) Through the attorney for Jacob Kulp & Co., Mr. Lowenthal, Miss Johnson arranged the details of the purchase with Michael Tauber & Co. (Tr. 1144, 1145, 1173, 1174) A bid up to \$10,000 was authorized. (Tr. 1176, 1206, 1210) Although Miss Johnson said that she spoke with Darrow concerning these matters before the sale (Tr. 1172), and that she discussed the fact that Tauber was acting on her behalf, Darrow says that he is not sure whether he knew of this or not. (1290,1295)

Soon after the purchase by Michael Tauber & Co. and before there was any transfer of the assets to Miss Johnson (Tr. 1170), Darrow agreed to purchase the books and records and certain coupons for \$750. (Tr. 1178) He said

he was not interested in purchasing the rest of the 594 claims against the trusts and subsidiaries mainly be-

cause he did not have sufficient funds to do so. (Tr. 1293) He testified that he set the price of \$750 for the assets he purchased (Tr. 1289), although he said he would have gone as high as \$1,000 since the books were essential to his operation of the trusts. (Tr. 1114, 1172, 1173, 1207, 1289, 1290, 1299-1302) After petitioning for and receiving the permission of the Court to make the purchase (Tr. 10-58, 1059, 1113, 1114) Darrow gave Miss Johnson two checks of the trust totaling \$750 which were made payable to Michael Tauber & Co. (Tr. 1135, 1136, 1231, 1232) She gave these checks to Lowenthal along with her own check (Tr. 1179) for \$800 (Tr. Ex. 4 of Apr. 10, 1946), she having received no advance from Baumann. (Tr. 1182) Lowenthal delivered the checks to Michael Tauber & Co. (Tr. 1180) and received the miscellaneous securities and accounts receivable, and turned them over to Miss Johnson. (Pr. 1145) The only tangible things Darrow received were the coupons (Tr. Ex. 2A of Apr. 10, 1946). The books and records were already in his office (Tr. 1180). As is evident, Michael Tauber & Co. received a commission of \$50 for making the purchase on Miss Johnson's behalf (Tr. 1205).

Miss Johnson disposed of the miscellaneous securities for \$350 or \$400 (Tr. 1164, 1165, 1183) selling some to the trusts, the subsidiaries and the Chairman Account (Tr. 1166, 1167). She next assigned the accounts receivable to Baumann who contributed \$400 or \$450 in accordance with their understanding. (Tr. 1164, 1165, 1183, 1192)

Darrow had many discussions with Attorney Williamson regarding the Jacob Kulp & Co. bankruptcy (Tr. 1112) and had knowledge of the nature and origin of the accounts receivable which constituted part of the assets (Tr. 1907).

He testified that he thought the accounts receivable 595 were worthless (Tr. 1114) but did have a nuisance value. (Tr.1317) He said he was not interested in who bought them. (Tr. 1115, 1116) Having this opinion of these accounts Darrow by his attorney filed an intervening petition in the bankruptcy court to have them set off, (Tr. Ex. 14) on the ground that they were improper results of commingling of funds by Jacob Kulp & Co. (Tr. 1278-1283) For reasons which were never brought out in the testimony the petition was voluntarily withdrawn. Darrow said only that the whole matter was handled by his attorney (Tr. 1324-1329). At this time Darrow knew that Baumann owned the accounts receivable, having gained this inform-

ation about a month after the sale. (Tr. 1064) It is clear from the fact that the petition was filed that Darrow was aware that the allowance of such claims would reduce the equity of the trusts in the subsidiaries. Thus, Darrow cancelled the coupons he purchased since they, too, had been acquired by Jacob Kulp & Co. with commingled funds. (Tr. 1211-1227) However, while trustee and president of each subsidiary, Darrow permitted the allowance of accounts receivable totaling \$81,311.34 in the reorganization plans of six of the subsidiaries in 77B proceedings. (SEC Ex. 24, 24A, 25, 25A, 26 & 27) Although Miss Johnson said she thought a blanket claim had been filed by . Baumann on all obligations of the companies held by him (Tr. 1163, 1164), it appears that many of the accounts receivable were allowed and set up without any claims ever having been filed for them (SEC Ex. 24, 24A, 25, 25A, 26, 27) The accounts receivable were allowed and set up in various reorganization plans for the following the amounts:

Ferry Station Post Office, Inc. Irving Park Post Office Building Corp. \$34,864.21 4,375.36

McKinley Park Station Building Corp. 6,402.05 Berwyn Post Office Building Corp. 2,995.00 596 Los Angeles Service Station Inc. 2.145.04 Postal Facilities, Inc. 30.529.68

Darrow says that he used his own judgment in determining the validity of all claims. (Tr. 1317) It should be noted. however, that Miss Johnson participated in most, if not all, of these reorganizations. (Tr. 1147-1164) At this time it appears that she and Kulp, by virtue of an understanding with Baumann, had an interest in the accounts receivable. for they were to share in them, when and if Baumann's loans were repaid. (Tr. 1201, 1880)

F. Findings of Fact In re. Physical Setup of

Offices, Telephone and Sharing of Help.

When Andresen, Darrow's predecessor, was appointed trustee he took over the office which had previously been occupied by Jacob Kulp & Co. in a suite with Colonial Securities Co. at 29 South LaSalle Street (Tr. 83, 84). Presumably some sort of division of rental expense was arranged. (Tr. 84) When Darrow was appointed trustee he

continued to occupy these quarters. (Tr. 34)

In 1936 Darrow moved the offices of the trusts to 100 West Monroe Street where he remained until he resigned in August 1943. (Tr. 46) At the time he agreed that Colonial might share this office space with the trusts (Tr. 920). Physically, the suite seems to have been divided into two sections separated by a wall which was broken by an opening about the size of a doorway. (Tr. 47, 920) Darrow and the trust occupied about 60% of the space and Colonial about 40% (Tr. 49, 98, 99). Each had a separate lease (Tr. 48, 1642). There were two entrances to the suite-Room 1807 bore the names of Darrow and the trusts, Room 1811 bore Colonial's name (Tr. 73). Miss Johnson occupied an office in the trusts' part of the suite directly next to

597 that of Darrow. (Tr. 40, 41, 73, 122) Kulp had his

office in Colonial's part of the suite. (Tr. 46)

Colonial's lease ran out early in 1940 (Tr. 129). Because it had been in the process of liquidation for some time (Tr. 36, 100-102) it did not renew it. However, the firm was allowed to remain in the office until a new tenant was secured some months later in April 1941 (Tr. 48, 444, 445). Previous to that time Colonial's use of its office had gradually diminished until only Kulp was using it, and he only for a few hours a day (Tr. 76, 77). After the space was relinquished by Colonial part of its furniture was moved into Darrow's offices (Tr. 122), as were its books and records (Tr. 123) Kulp moved his desk into the trusts' office (Tr. 47, 48). In January 1943 the opening between the two parts of the suite was permanently walled up (Tr. 444). There is no significant testimony as to whether Colonial or Kulp paid any rent to the trusts for the use of their office

space.

For about 20 years the telephone number of Jacob Kulp & Co. was Dearborn 8666 (Tr. 594). When that company ceased its activities Colonial took over the number (Tr. 40, 41). This telephone was used jointly by the trusts during the period they shared offices with Colonial (Tr. 926, 927). Since Colonial was the subscriber all bills were payable in its name, but an arrangement was made whereby costs were apportioned on the basis of the number of telephones used by Colonial and the trusts (Tr. 162). Toll charges, of course, were treated separately (Tr. 162, 163). Darrow and Miss Johnson worked out the details of allocation (Tr. 927), and the trusts and Colonial each issued their own checks for their respective shares of the bill (Tr. 51, 130).

This method of allocation continued only so long as Colonial had substantial requirements (Tr. 132, 133). After 1940, however, Colonial had little but a few long distance

and toll calls so that basis was abandoned (Tr. 132, 598 133), and Darrow paid all bills except such items as could be individually allocated (Tr. 1512, 1513). According to Darrow's accountant, Marquiss, the allocation was, in his opinion, fair and proper (Tr. 200, 202).

The larger part of the testimony regarding work done for Colonial by Darrow's employees comes from Marquiss, who was Darrow's accountant from 1935 to 1943 (Tr. 67). He said that Colonial did not have a stenographer after 1936 and that Darrow's stenographer handled Colonial's work. (Tr. 66, 120 121) He further testified that Darrow's cashier performed services for Colonial (Tr. 118, 135, 136) as she had done when she was employed by Darrow's predecessor, Andresen (Tr. 135, 136).

The arrangement was not completely one-sided for Colonial's employees did some work for Darrow. Its messenger boy ran errands, made bank deposits, did mimeograph work and some work in connection with certain mailings for Darrow (Tr. 128, 166-168). Colonial's stenographer.

according to Miss Johnson, did a great deal of work for the trusts when Darrow first became trustee and had considerable mailing work (Tr. 1643). Miss Johnson stated that "we felt that one sort of balanced the other." (Tr.

1644). The record seems to uphold her views upon this

599 subject.

G. Findings of Fact in Re. History and

Transactions of Chairman Account.

When Andresen became trustee he was confronted with the problem of the bank accounts of Jacob Kulp & Co. in which had been commingled the funds of the subsidiaries. (Supra; Tr. p. 209) For a period he maintained the same type of operation. (Tr. 209) In 1934, however, he froze the debit and credit balances and opened separate bank accounts for each of the subsidiaries. (Tr. 207) In other words, Andresen maintained the Jacob Kulp & Co. "fiscal agency" accounts as a separate operating unit (which Darrow later named the "Paul E. Darrow, Chairman, Account") (Tr. 209) and started afresh with the subsidiaries. At this time there were moneys and securities in the Chairman Account but no distribution was made. (Tr. 209)

By means of accounting methods earlier explained Jacob Kulp & Co. had become a creditor of certain of the subsidiaries, and of the trusts as well. (Tr. 208-210) Other subsidiaries, however, were creditors of Jacob Kulp & Co. (Tr. 210) After the "freeze", therefore, various subsidiaries and the trusts assumed the status of debtors of the Chairman Account. After Darrow became permanent trustee control of the Chairman Account was transferred to him by an order of this Honorable Court upon a petition

filed by Darrow. (Tr. 210)

This unusual situation of a trustee of a debtor having complete control of a creditor was made more complex by the fact that, as trustee, Darrow had a beneficial interest in the Account insofar as the trusts were holders of the equity ownership of the subsidiary corporations which had claims against that account. (Tr. 210, 211) Marquiss quite aptly described this situation as "wheels within wheels."

(Tr. 211)

600 At one point in the testimony it appeared that there was a shortage of \$21,200 face amount of bonds in the Chairman Account (Tr. 850, 856). Examination of Darrow's Final Reports and Accounts (Federal, Ex. E. p. 1;

National Ex. F, p. 1) indicates that a miscalculation was made and the amount of the apparent shortage should be reduced to \$20,600. This matter was entirely cleared up, however, when it was pointed out that in the two distributions made by Darrow out of the Chairman Account he gave \$20,600 face amount of bonds to the subsidiaries having interests therein (Tr. 1086, 1087). Darrow said that this was done in order to allow a larger distribution than would otherwise have been possible and to help the individual corporations to get their bonds retired (Tr. 1086).

There is no testimony relevant to the specific objections made by John W. Guild, Successor under Mortgage Indenture with respect to Darrow's handling of the Chairman Account which includes matters considered by the Andrews Report. Perhaps the most serious omission discovered in Darrow's report of the operations of the Chairman Account related to his acquisition of \$84,000 of Federal bonds.

On November 24, 1933, Jacob Kulp & Co. executed a note in the amount of \$27,300, payable 30 days after date to the order of the Foreman-State National Bank. The note was guaranteed by Jacob Kulp individually, and as collateral the payee held (a) certain bonds of the subsidiaries with a total par value of \$33,000, (b) bonds of Federal with a total par value of \$84,000, and (c) a non-negotiable receipt of the National City Bank of Cleveland, depositary under reorganization proceedings of the United States Parcel Post Building Co. (Resp. Ex. 5) On November 5, 1936,

601 the First National Bank of Chicago (hereinafter called the bank), as successor to the Foreman-State National Bank, agreed to sell the note which had been reduced by partial principal payments to \$9,554.68, plus 7% interest from September 30, 1934, and the collateral to Colonial for

\$12,000. (Resp. Ex. 5)

According to Miss Johnson, who made all the arrangements for the purchase, Colonial originally intended to sell the collateral securities at retail once they were acquired. (Tr. 1707) After discussing the proposed purchase with Darrow, however, these plans were greatly altered. Miss Johnson testified that Darrow did not want to have the securities sold to the public and expressed an interest in acquiring them in order to protect the holders of the certificates of beneficial interest in Federal. (Tr. 1708) The \$84,000 block of bonds, together with the block of \$286,000 held by Hawley under the trust which was being liquidated

in the Seligman v. Kuln proceedings about equalled the

amount held by the public. (Tr. 1708, 1709)

Darrow, according to Miss Johnson, indicated that he wanted to work out some arrangement whereby he could acquire the bonds (Tr. 1709). He did not have sufficient funds to make an out-right purchase of the note and the securities held as collateral (Tr. 1618, 1709). She told him that she could arrange a satisfactory deal with the Bank whereby the payments and the transfer of the securities could be spread over a period of time (Tr. 1709). Darrow was agreeable to this type of arrangement. As a consequence Miss Johnson, apparently acting on behalf of Colonial, arranged the purchase for a price of \$12,000, payable on or before March 5, 1937. (Resp. Ex. 5) Prior to that date Darrow drew checks upon the Chairman Account, National, Federal and one of the subsidiaries payable.

able to Colonial totaling \$12,000-Colonial then drew 602 its checks payable to the Bank, received the various groups of securities and turned them over to Darrow. (Supplemental Affidavit of Dec. 9, 1943 Tr. 1698-1705)

One important feature of the Darrow-Colonial transaction must be sharply borne in mind-whereas Colonial agreed to purchase the notes and all the securities from the Bank for \$12,000, Darrow purchased only the bonds of the subsidiaries for \$12,000. Both Marquiss and Miss Johnson's testimony confirm this (Tr. 1582, 1710). The \$84,000 block of Federal bonds was "given" to Darrow by Miss Johnson, acting on behalf of Colonial, to "hold" for the benefit of the holders of certificates of beneficial interest of Federal (Tr. 1709,1710). As a result, this block of bonds was considered by Darrow as having been acquired at no cost (Tr. 1678). It was put in a safety deposit box in the First National Bank of Chicago (Tr. 1716).

No mention of this block of bonds was made in Darrow's Final Reports and Accounts, nor in the Detailed Schedules accompanying (Tr. 1577-1582). However, on December 9, 1943, Darrow had filed affidavits supplemental to his Final Reports and Accounts which were dated November 17, 19-43, and which set out in detail the facts regarding the acquisition of these bonds. The affidavits stated "These bonds are in his (Darrow's) possession and were received free of cost. Their disposition seems to be a matter for the direction of the Court. His intention has been eventual-

ly to deliver them to the Federal Facilities Realty Trust

for cancellation."

No such delivery was ever made and at the hearing on July 11, 1946 it was discovered that these bonds were still in Darrow's possession, never having been turned over to the successor trustee.

In a discussion which, as is indicated at page 1586 of the transcript, was stricken from the record I expressed my surprise at Darrow's retention of the bonds for so

603 long, when he was bound by court order to turn over to his successor, Mr. Mosser, all trust property which came into his possession. I suggested that arrangements be made to effect a transfer of these bonds to Mosser without resort to a petition and formal court proceedings. Mr. Herriott, counsel for Darrow, promptly affected such a voluntary transfer and deserves the thanks of the Court for his

cooperation.

Part of the \$33,000 of bonds of the subsidiaries which Darrow acquired by purchase were retained by the Chairman Account and others were sold to various individuals (Tr. 1676, 1677). Miss Johnson testified that the securities purchased from the Bank by Colonial were worth more than \$12,000 at the time (Tr. 1711). On July 15, 1946, Miss Johnson testified that the bonds of the subsidiaries which Darrow purchased were currently worth about \$20,000 and that the \$84,000 par value Federal bonds were worth about twenty cents on the dollar (about \$17,000) (Tr. 1712, 1713). She said that she thought the Federal bonds will be worth par upon completion of the Federal reorganization (Tr. 1713).

H. Findings of Fact in Re. Records, Reports and Accounts of the Trustee.

1. Current Records.

Marquiss kept books for Darrow as trustee (Tr. 1529, 2234). Darrow himself kept extensive personal records of the transactions of the trusts and all the subsidiaries but not of the Chairman Account (Tr. 2234, 2235, 2252). He used sheets which reflected the income, different classes of expenditures for each month, cash on hand, money in sinking funds, bonds outstanding, bonds purchased, summaries of the reorganization plans, and the prices at which poten-

tial sellers were offering bonds. (Resp. Exs. 2, 2A-L of 604 Mar. 18, 1947; Tr. 2235) These sheets were devised by

Darrow especially for his own use, and he personally obtained the information on them from the books of the trusts and their subsidiaries (Tr. 2235 to 2238, 2283, 2284), with the exception, of course, of the asking prices of potential sellers which he obtained from letters and phone calls (Tr. 2238, 2318). Darrow kept these records in his desk and referred to them several times a day (Tr. 2254). Oftenthey were referred to rather than the books because it was

easier to get information from them (Tr. 2261),

In addition to these records Darrow kept his own comparative statements of income and expense for many of the subsidiaries. (Resp. Exs. 1, 2 & 3 of Mar. 28, 1947; Tr. 2266 to 2270). These, too, were referred to frequently. (Tr. 2275). Another type of information sheet was prepared by Darrow to mail to the Boards of Directors or trust committees of the various subsidiaries. These sheets, which were sent out monthly, indicated the financial situation of each subsidiary. (Resp. Exs. 4, 5, & 6 of Mar. 28, 1947; Tr. 2276).

2. Final Reports and Accounts.

Darrow's accountant, Marquiss, prepared the Final Accounts and Reports and the Detailed Schedules accompanying. (Tr. 1529 to 1531) Darrow said that although he had not checked every item in the Reports and Schedules filed, he was satisfied that they were correct except, perhaps, for minor errors (Tr. 814 to 817, 1076, 1077).

A number of comparatively minor discrepancies and omissions in the Final Reports and Accounts and the Supplementary Detailed Schedules were the subject of considerable testimony. I do not feel that it is necessary to

make detailed findings of fact pertaining to each mat-605 ter. Rather, I shall briefly indicate the nature of each discrepancy or omission and characterize the testi-

mony with respect thereto.

I. In the case of Federal, Darrow's Final Account as supplemented indicated that he had received a sum of money which was \$2,412.02 less than the amount his Detailed Schedules stated that he had received. In the case of National, there was a similiar discrepancy, however, the amount involved was \$2,065. In each case the variance was satisfactorily explained by testimony (Tr. 805, 806, 812, 813, 814, 1073 to 1079, 1530, 1551 to 1554, 1564 to 1569, 1573 to 1576).

II. The Final Report and Account as supplemented in the case of Federal states that a total of \$980 was received as interest on certain United States Building Corporation second mortgage bonds held by the Trustee. However, when the figures listed are added they total \$1080. This \$100 discrepancy resulted from a typographical error in the preparation of the Report

(Tr. 807 to 810, 1084, 1556 to 1558).

III. In seven different instances in the Final Report and Account as supplemented, the purchase price of one bond is matched with the selling price of another in order to determine the amount of profit on a given transaction. Darrow and Miss Johnson testified that bonds were sometimes exchanged for the accommodation of bondholders who desired different denominations. However, in five of the seven instances bonds of different serial numbers only were matched-the denominations being the same. Darrow did not keep any record of bond exchanges so that it is impossible to check the accuracy of the determination of profit 606 as shown in the Detailed Schedules. (Tr. 653 to 657,

809, 810, 1089 to 1092, 1558 to 1560).

The Final Accounts and Reports in both cases. indicate that interest was paid regularly on the bonds of certain subsidiaries held by the trusts. In the Detailed Schedules, however, there are omissions of certain interest items with respect to these subsidiaries. Marquiss testified that the characterization of interest items as "Interest Earned" was inaccurate since the interest account was kept on a cash basis rather than an accrual basis. To this extent the Detailed Schedules are confused with regard to interest items. There was little testimony on this point since Darrow introduced no evidence in support of his position that all interest received on these bonds has been reported. Some interest which accrued during Darrow's administration has since been collected by the Successor-Trustee (Tr. 1531 to 1544).

V. Darrow made loans of trust funds to Federal subsidiaries totaling \$35,610 and to National subsidiaries in the amount of \$76,013.50. At the date of his resignation there remained owing to Federal \$4,020 and to National \$6,500. None of these loans were specifically authorized by order of the Court. Darrow said

that he construed his appointment to give him such authority. Since the filing of the Final Account all of these obligations have been fully repaid to the Sucessor-Trustee (Tr. 810, 811, 857 to 861, 1561 to 1564).

VI. Darrow's Final Account in the case of Federal shows "Miscellaneous Expense" as \$1,421.05, while the Detailed Schedules show it as \$1,413.10. In the case of National, the Final Account shows "Miscellaneous Expense" as \$1,688.12. In neither case is there any testimony in the record as to the specific nature of the expenses, nor in the case of Federal is there any explanation of the apparent discrepancy.

VII. Shortly after Darrow was appointed Trustee he was elected President of all the subsidiary corporations. As such he managed and operated the subsidiaries for which he received certain fees. These fees were by him turned over to the trusts up until the time he resigned (Tr. 929, 930). In several reorganization agreements Darrow was paid fees for his services, which fees were retained by him (Tr. 972, 973). There is not sufficient evidence on this point, however, to justify a conclusion that improper conduct occurred in this respect.

3. Reports to the Court.

During the eight and one-third years of Darrow's trusteeship he filed no reports of his administration of Federal and only one of his administration of National.

I. Findings of Fact in Re. Discussions Had Between Darrow and the Securities & Exchange Commission.

Early in June 1943 (Tr. 2423, 2435, 2475) Thomas B. Hart, Regional Director of the Chicago Office of the Securities and Exchange Commission requested that Darrow confer with him regarding the filing of petitions to remove him as trustee of the trusts (Tr. 2479). Hart stated that his office had prepared and was ready to file such petitions and awaited only authorization from the Commission (Tr.

2476, 2479). He said that he wanted to advise Darrow 608 of this fact (Tr. 2479). Darrow conferred alone with Hart and Roberson (Tr. 2423, 2425, 2475). Although Darrow had known that an order had been entered directing Frederick B. Andrews, an accountant to investigate the two trusts, he said that he first learned that there was

some complaint about his administration of the estates when Hart called him to this conference (Tr. 2446).

There is considerable variance in the testimony with regard to what was said by Hart on this occasion. Darrow's version of the conference is best told in his own words.

Speaking of Hart, Darrow said:

"He said that I had been allowing Miss Johnson and Mr. Kulp to trade in securities and make a profit and that I would have to resign as trustee and if I did not resign as trustee, ther would start action to remove me as trustee and he said 'You know all the publicity you will get if we start after you and it will embarrass Judge Holly and you will get more newspaper publicity because of your father' and he said 'While we haven't anything on you that doesn't mean we won't get something on you and if we have to attack you you will probably have to pay the profits that they (Miss Johnson and Mr. Kulp) made on securities and insurance and you will probably get all kinds of publicity and the best thing for you to do is resign. If you want to discharge Mr. Kulp and Miss Johnson we will be perfectly satisfied to have you remain as trustee, but you must discharge them' He said further that he wanted a suit started against Miss Johnson and Mr. Kulp for recovery, which I agreed to start and I said if they didn't want my lawyer to handle it they could appoint some lawyer they wanted to sue in my name and that I had no objections to a suit but that so long as I remained I would keep Miss Johnson and Mr. Kulp because I couldn't run the business satisfactorily for the benefit of the bondholders without

609 their help. He gave me a certain deadline to decide

on....." (Tr. 2423, 2424)

Hart's version of the conference is markedly different. He denied ever having made the statements attributed to him by Darrow. (Tr. 2478) He specifically stated that he never told Darrow that the SEC had nothing on him but would get something (Tr. 2477). Nor, he said, did he tell him that no petition would be filed if Johnson and Kulp were discharged (Tr. 2477, 2478). He also denied that the SEC wanted a trustee who would sue Miss Johnson and Kulp. (Tr. 2485) He said he told Darrow that "the action was not to be construed as a threat but as something we would do after authorication by the Commission." (Tr. 24-76) His own version of what he told Darrow is as follows:

"I said the results of the investigation and report that had been made by Mr. Andrews and the independant investigation and checking up by the Securities and Exchange Commission and by one of our accountants would indicate that certain of the employees were trading in the securities of the trusts and it indicated that they were probably trading at a profit to themselves. I said they were under his supervision and control. I stated, I think that Mr. Darrow had been in as trustee for eight years, and there were no 67 reports filed. There was no report in one case at all, and there was no interim report in the other, and I pointed out there was no indication of a planbeing filed, and that, together with the trading by the employees warranted the action the Commission was contemplating taking (Tr. 2480, 2481)

According to Hart, most of the conference, which lasted only about twenty-five minutes (Tr. 2491) was spent discussing the centents of the petitions (Tr. 2482). He said that Darrow flid not comment on the facts set out in the

petitions (Tr. 2485).

Both Hart and Darrow steadfastly maintained that their respective versions of what was said at the conference were accurate. Subsequent to this conference, Adams representing Darrow, conferred with Hart (Tr. 2489, 2504, 2505). Adams said that Hart made no statements to him to the effect that no proceedings to remove Darrow would be instituted if Miss Johnson and Kulp were discharged (Tr. 2490). Nor did he ever hear Hart say that the SEC had nothing on Darrow but would get something on him (Tr. 2490). Adams, did say, however, that Darrow told him that if he (Darrow) were to discharge Miss Johnson and Kulp he felt that the petitions would not be filed (Tr. 2490). He said Darrow had a "deep feeling" that this was the case (Tr. 2505, 2507). But Adams twice testified that Darrow never told him on what information he based this opinion or feeling (Tr. 2490, 24-91, 2506).

I am reluctant to believe that Hart threatened Darrow and place no credence in Darrow's version of the statements attributed to Hart, namely, that the SEC would be satisfied to have him remain as trustee if he discharged

Miss Johnson and Kulp.

There is further conflict in the testimony concerning Darrow's retention of Attorney John Kelley of New York City to represent him before the SEC in Philadelphia (Tr. 2435, 2436). Darrow said that he retained Kelley because Adams had said that he was "not the proper person to see the SEC with me" (Tr. 2443). Adams vigorously denies ever having made such a statement (Pr. 2503). In any event, without getting the Court's permission to consult other counsel, Darrow retained Kelley with his own funds (2437, 2444).

Darrow and Kelley had several conferences with members of the SEC in Philadelphia regarding plans of reorganization (Tr. 2438, 2439, 2441). During these conferences the matter of filing of petitions seeking Darrow's removal

were discussed. Kelley was attempting to work out 611 some kind of arrangement whereby the petitions would not be filed. (Tr. 2439, Resp. Exs. 1 & 2 of May 5, 19-

47) It would appear that he failed.

During the last part of July and the first part of August there was a serious problem as to whether Darrow should resign or contest the petitions (Tr. 2506). Early in August Kelley recommended that Miss Johnson and Kulp be dismissed. Why he recommended this and whether he felt that Darrow would gain some advantage from this step is not brought out by the testimony. Darrow would not discharge Miss Johnson and Kulp because he felt their services were necessary to him (Tr. 2424, 2506) in administering the trusts. In August Roberson told Adams that the petitions were about to be filed (Tr. 2483). Subsequently Darrow phoned Roberson and said that he would resign. He indicated a desire to submit his resignation to Judge Holly who, at the time, was out of town and requested that the petitions be withheld until the Judge's return. The SE-C complied with this request (Tr. 2484).

J. Findings of Fact in Re. Explanations and Contentions of the Respondent.

1. Personal Loans.

On two occasions the trusts were offered bonds of the subsidiaries at attractive prices but did not have sufficient funds to take advantage of the opportunities (Tr. 2168). In order that the trusts might gain the benefit of the acquisitions (Tr. 2168) Darrow made personal loans, purchased the bonds on his own account and sold them to the trusts

at the same prices he had paid. The mechanics of these transactions were worked out as follows: Darrow borrowed

money from the First National Bank on his own col612 lateral and purchased the bonds in his own name. As
they acquired funds to do so the trusts purchased
bonds from Darrow at the same price he had paid (Tr. 2174). The checks drawn by the trusts payable to Darrow
were by him endorsed over to the Bank and applied to the
principal of the loans (Tr. 2204). During the period in
which Darrow held the bonds all interest collected was
turned over to the trusts (Tr. 2183, 2184) and all interest
accruing on his loan was paid by the trusts. (Tr. 2204)

On October 29, 1935, Darrow pledged \$3,000 of New York Railways Corporation 6% bonds owned by him as security for a loan of \$2,025. (Resp. Ex. 1 of Mar. 5, 1947; Tr. 2169). With these funds he purchased \$5,000 par value of Quincy Station Post Office Building Corporation second mortgage bonds and \$5,000 par value of 22nd Street Station Building Corporation first mortgage bonds on the same day (Tr. 2167-2170). On September 9, 1937 Federal acquired the bonds from Darrow for \$2,025 (Tr. 2174), which had been paid in two installments (Tr. 2185). In the interim it had paid interest of about \$153 to the Bank (Tr. 2183). However, on September 9, 1937 Federal sold \$3,000 par value of the Quincy Station bonds to the issuer at a price \$442.-50 higher than it had paid Darrow (Tr. 2175). At that date Federal had received \$420 in interest on those bonds (Tr. 2179). On September 1, 1938 the remaining \$2,000 par value of Quincy Station bonds were sold by Federal to the issuer at a price of \$295 higher than it had paid Darrow (Tr. 2176). At this latter date Federal had received \$377.50 interest on these bonds (Tr. 2179).

On November 12, 1935, Darrow borrowed \$6,837.50 from the First National Bank on the security of \$10,000 of International Railways of Central America 6½% bonds and \$2,000 in bonds of an Italian electric company. (Resp. Ex. 2 of Mar. 5, 1947; Tr. 2201) With the proceeds of these loans he said he purchased \$76,000 par value of various

issues (Tr. 2178). However, his enumeration of the bonds purchased would indicate that he purchased \$71,100 par value of bonds for \$6,987.50 (Tr. 2202).

Nowhere is this discrepancy explained.

All the securities acquired with the proceeds of the two losss were eventually paid for by the Federal Group or the

National group, Darrow's notes were paid in full and returned to him (Tr. 2206). The trusts paid a total of \$8,862.50 in principal and \$717.22 as interest on the two notes. (Tr. 2208). From the time these securities were purchased by Darrow until they were all acquired by the trusts a total of \$10,062.14 in interest was paid on the bonds, all of which was credited to the accounts of the trusts (Tr. 2209). Darrow testified that the securities had substantially higher market values at the time they were acquired by the trusts than they had when Darrow originally purchased them

(Tr. 2209, 2210).

Darrow also made a direct loan to one of the subsidiaries. On March 10, 1939 he borrowed \$2,600 on personal collateral. (Resp. Ex. 1 of March 18, 1947; Tr. 2225-2228). He loaned this sum to Columbus Parcel Post Building, Inc. which had an opportunity to purchase \$5,000 par value of its own first mortgage bonds of last maturity for \$2,500 (Tr. 2228). He said that he deemed it was to the benefit of Columbus to retired \$5,000 of its debt at fifty cents on the dollar so he made the purchase from Colonial, the offeror (Tr. 2229). He thought, the extra \$100 was used to give Columbus a bank account. Darrow took no note from Columbus for this loan but said that Columbus' ledgers reflected it (Tr. 2229). It was fully paid on May 2, 1940 (Tr. 2229), Columbus also having paid \$102.14 interest (Tr. 2230). Had these bonds not been acquired Columbus would have been bound to pay a total of \$2,275 in interest to the holders up until January 1, 1947 (Tr. 2233). Darrow did not profit in any respect as a result of these transactions.

On the whole the record would seem to indicate that 614 the trusts benefited-by Darrow's actions in these matters but there is no clear evidence as to the exact

amount (Tr. 2459-2468).

2. Miss Johnson's Services.

Darrow testified that Miss Johnson's services were of great value to the trusts in effecting reorganizations of the subsidiaries (Tr. 971). In addition to furnishing data, working on plans, conferring with attorneys for the corporations and the securities-holders, she secured a great many consents to proposed plans. Because of her personal acquaintance with a large number of bondholders, the bonds originally having been issued by Jacob Kulp & Co., she was in an ideal position to do this type of work (Tr. 1716-1772, 1824, 1825).

Of course, no attempt was made in these hearings to consider the fairness of the various plans of reorganizations of the subsidiaries. But it should be noted that Miss Johnson participated in reorganizations where the claims of Joseph Kulp & Co. (then held by Baumann) were set up. She admitted that she knew these accounts receivable arose from advances of commingled funds (Tr. 1856). She said, however, that she never discussed their origin with Darrow and never suggested that objections might be filed to these claims (Tr. 1857, 1860). It must also be borne in mind that during this period Miss Johnson and Colonial were purchasing bonds from bondholders and reselling them to Darrow at a profit-sometimes on the same day. (Infra Section A)

3. Income Tax Reduction.

Darrow effected a considerable saving to Federal by successfully contesting a claim of the government for \$150,000 in income taxes for the years 1931 and 1932. Darrow.

working only with Marquiss, developed the theory of 615 obsolescense which proved successful. This saving plus the saving resulting from the allowance of certain bad debts of an unspecified amount amounted to \$130,000 (Tr. 2297-2305, 2383-2386, 2427).

616

CONCLUSIONS OF LAW

1. Trading in Underlying Securities by Employees of Trustee.

It is fundamental that a trustee must exercise due care and prudence in the administration of the trust estate. Insofar as the employment of agents and servants is concerned, his duties may more specifically be stated to be as follows:

1. First, the trustee must exercise due care in the

original hiring of employees.

A. He must be satisfied that the persons he selects to work for him are not only competent but trustworthy as well. The latter characteristic is extremely important because the trustee's employees are fiduciaries.

(1) Hindsight reveals that although Mr. Darrow was correct in his estimation of the competence of Miss Johnson and Mr. Kulp, he erred seriously in

his appraisal of their trustworthiness. However, in view of the information available to him at the time of the original hiring it cannot be said that he was

derelict in this respect.

B. There is another requirement that the trustee must fulfill if he is to be said to have exercised due care and prudence in the original hiring. He must arrange suitable terms of employment. The prophylactic injuction that a trustee may not place himself in a position where his personal interest may conflict with his fiduciary duty applies as well to the employees of the trustee.

617 A trustee cannot be said to have exercised due care where he knowingly allows his employees to work for him under conditions where their loyalties must neces-

sarily be divided.

(1) In this respect, Mr. Darrow was clearly derelict in entering into an agreement with Miss Johnson and Mr. Kulp whereby they were granted permission to continue their securities business, which, as he surely must have known, dealt extensively in the securities of the trusts and their subsidiaries. A reasonably careful and prudent man could hardly have failed to recognize the obvious fact that a situation wherein the trusts and their subsidiaries were attempting to retire their indebtedness as rapidly and as inexpensively as possible, and wherein the employees of the trusts were trafficking in the bonds of the subsidiaries for profit was pregnant with potential conflicts of interest.

II. Second, the trustee must continuously and at all times exercise proper and adequate supervision over

the employees he has chosen to act in his stead.

A. He must provide adequate direction and inspection of their performance of the tasks he has delegated to them.

(1) Admittedly, Mr. Darrow's conduct in this

respect was satisfactory.

B. Equally important, however, is his duty to take prompt and effective action where his inspection re-618 veals incompetence or improper conduct.

(1) It is clear that Mr. Darrow failed to take any action at all upon discovering that his employ-

ees were dealing in the underlying securities for profit. On the contrary, the record indicates that he not only acquiesced in such activity and permitted disloyalty to flourish, but also knowingly purchased securities from them and thereby allowed their infidelity to inflict direct financial loss upon the trusts

in many instances.

In re. Meinhard v. Salmon, 249 N. Y. 458 (1928), Mr. Justice Cardozo stated with respect to the duties of a fiduclary that "many forms of conduct permissible in a worka-day world for those acting at arms length are forbidden to those bound by fiduciary ties. A trustee is held to something stricter than the morals of the market place. Not honesty alone, but the punctilio of an honor, the most sensitive, is then the standard of behavior. As to this there has developed a tradition that is unbending and inveterate. Uncompromising rigidity has been the attitude of the courts of equity when petitioned to undermine the rule of undivided loyalty by the "disintegrating erosion" of particular exceptions. (Wendt v. Fischer, 243 N. Y. 439, 444). Only thus has the level of conduct for fiduciaries been kept at a level higher than that trodden by the crowd. It will not consciously be lowered by any judgment of this court."

In the case of Thrice et al. v. Comstock, 121 Fed. 620, the Court held that "whenever one person is placed in such a relation to another by the act or consent of that other, or

by the act of a third person, or of the law, that he 619 becomes interested for or with him, and any subject

of property or business, he is in such a fiduciary relation with him that he is prohibited from acquiring rights in that subject antagonistic to the person with whose in-

terests he has become associated."

In the case of McClure v. Middletown Trust Co., 95 Conn. 148 (110 Atl. 838), the Court held at page 153 that "while the trustee may not delegate his duties and powers to others, it is obvious that he must act frequently through agents or attorneys. This is not a delegation of his powers, for the trustee remains responsible for the reasonable diligence of his agent or attorney. He must select his agents with reasonable care and he must supervise their acts with the same care."

There is not a scintilla of evidence to prove that Mr. Darrow profited in any sum whatsover through the trading in securities of the trusts and the subsidiaries, but it is

clear that Mr. Darrow failed to exercise due care and pru-

dence in his administration of the trust estates.

Under the established rules of law applicable to the facts and circumstances surrounding the conduct of the trustee I am constrained to find as a matter of law that Mr. Darrow must be surcharged for all profit realized by his disloyal employees by reason of his breach of duty. This includes profits earned by Colonial Securities Co., which is owned and controlled by Miss Johnson and Mr. Kulp, for equity will not allow fiduciaries to hide behind the corporate cloak to accomplish wrongful ends. It does not include profits earned by relatives and associates of Miss Johnson and Mr. Kulp because, as is indicated in the findings of fact, there is no evidence of a pattern of conduct whereby these parties were "used" by the employees of the trustee.

620 As shown by SEC Exhibit 5, profits made by the trustee's employees on dealings in the underlying securities of the Federal Facilities Realty Trust were as

follows:

Colonial Securities Co. Myrtle Johnson

\$14,095.96

\$8,535.98

5,559.98

As shown by SEC Exhibit 6 profits made by the trustee's employees on dealings in the underlying securities of the National Realty Trust were as follows:

Colonial Securities Co. \$17,375.00
Myrtle Johnson 845.00
Jacob Kulp 430.00

\$18,650.00

The total surcharge for these profits is \$32,745.96.

- 2. Conclusions of Law Pertaining to Darrow's Purchase of Securities Involved in the "Seligman vs. Kulp" Case.
- (a) Fundamentally, the transactions involving the securities sold in the case of Seligman vs. Kulp pursuant to the decree entered in the Superior Court of Cook County, Illinois, are of the same type as the other transactions in which the employees sold to the trustee at a profit. The trustee's acquiescence in the purchase of these

securities by his employees was a clear breach of his fiduciary duty. His subsequent purchase of some of these securities which resulted in a large profit to his employees aggravated an already unwholesome situation. Merely countenancing such disloyalty would have been sufficient ground on which to surcharge the trustee for all profits reaped by his employees. His active participation in their wrong doing makes it doubly certain that a surcharge is warranted.

(b) Mr. Darrow paid Colonial Securities Company \$12,447.55 for part of the securities in Lot I. Colon-621 ial's total yield from Lot I was \$34,905.05. The securi-

ties in Lot II, the value of which was not established. remain intact in a safety deposit box at the Continental Illinois National Bank & Trust Company in Chicago, placed therein by Attorney Louis Goldman in whose name the box is registered. His testimony with regard to the securities which he placed in the aforementioned safety deposit box displays an amazing lack of knowledge as to the identity of his client, although Miss Johnson and Mr. Goldman acted in concert with respect to the purchase of the securities at the sale conducted by the Master in Chancery. John F. Bolton. The facts, however, indicate that while Mr. Goldman stated he was the only person who had access to the safety deposit box, within a week after he placed the securities in the said box in his own name, Goldman executed a power of attorney to Mrs. Hattye Kulp enabling her to enter the box. I do not conceive that the special reference to me of Mr. Darrow's Final Account and Report as trustee and the objections filed thereto embraces the question of determining the ownership of the securities in Lot II and therefore refrain from making a finding with respect thereto. Suffice it to state, that according to the testimony given herein by Miss Johnson, ownership of the securities in said Lot II is claimed by her and Mr. Kulp subject to repayment of the loans made to Mr. Kulp by Mr. and Mrs. Joseph Baumann. It appears that on an initial investment of \$24,-203.55 the employees of the trustee have so far realized a profit of \$10,701.50 and retain securities of both the Federal Facilities Realty Trust and National Realty Trust of a par or stated value of \$1,178,720. At this time it is not possible to compute accurately the further profit accruing to Miss Johnson and Mr. Kulp from the securities in Lot II.

It has been brought to my attention in the brief 622 submitted by the SEC that the Plan of Reorganization

for National Realty Trust filed by the successor-trustee on January 20, 1947 contemplates cancellation of the securities in Lot II. Hence, it would seem advisable at this time to limit the surcharge to \$10,701.50 and reserve jurisdiction for a further surcharge in the event that the securities in Lot II are not cancelled through consummation of the plans of reorganization of both the National Realty Trust and the Federal Facilities Realty Trust, containing provisions therefor.

3. Conclusions of Law Pertaining to Insurance Commis-

sions Received by Mr. Kulp.

The evidence discloses that over the period of Mr. Darrow's trusteeship, Jacob Kulp was permitted to write the insurance on the property of the trust subsidiaries. Mr. Kulp earned commissions amounting to \$16,148.83 on insurance written on trust property. There is abundant proof that Mr. Kulp reduced hazards to sustain the contention that the trusts could not have acquired their insurance wholesale at lower rates. Such rates are standardized and Mr. Kulp received only the standard broker's commission. He could not have turned these commissions back to the subsidiaries without violating the Illinois statute prohibiting rebates on insurance premiums. If Mr. Kulp had not earned these premiums someone else would have. As a matter of fact, special advantages accrued to the trusts by virtue of the fact that Mr. Kulp wrote the insurance. The testimony discloses there were times when, despite the fact that premiums were overdue, policies were kept in force only because of Mr. Kulp's excellent standing with L. A. Rose & Co. through which he wrote the insur-

ance. No one can gainsay the fact that Mr. Darrow 623 as trustee derived greater benefits on behalf of the

trusts and their subsidiaries by reason of the previous business experience between Kulp and L. A. Rose & Co. over a period of 20 years. It must be borne in mind that the trusts in this case did not suffer because the testimony revealed Kulp reduced hazards which existed on the properties in many instances and thus effected substantial reductions in premiums and rates. Despite the fact that this handling of insurance by an employee may be deemed improper, yet considering the unusual circumstances in this case it appears too drastic a penalty to impose a surcharge

upon the trustee, and I am of the opinion that equity and justice counsel otherwise. I therefore conclude that to surcharge Mr. Darrow in an amount equal to the commissions received by Mr. Kulp would be inflicting a penalty that the unusual circumstances in this matter do not warrant.

4. Conclusions of Law Pertaining to the Quincy Dividend Suits.

I. Without doubt a trustee may be held liable for failure to use diligence in prosecuting a cause of action belonging to the trust. The evidence clearly indicates that Mr. Darrow's conduct in the matter of the suits to recover the "illegal" dividend declared by the Directors of the Quincy Station Post Office Building Corporation was less than satisfactory. He failed to make a thorough investigation of the financial responsibility of the defendants. His failure to do so is seen to be even more unfortunate in view of the unusually advantageous position he occupied with respect to the defendants.

624 A. Had Mr. Darrow decided to dismiss the suits solely on the ground that the defendants were judgment proof, it would be impossible to say that he was justified in doing so. His investigation was scarcely sufficient to have supported a conclusion on which alone to base such dismissal.

B. However, there is another important factor to consider—the worth of the cause of action. Mr. Darrow's attorneys, after study of the case, were of the opinion that there was "about an even chance of recovery."

II. Taking both these factors into consideration, I cannot say that Mr. Darrow's conduct in this regard amounted to the "abandonment of a substantial cause of action." Being unsatisfied that there has been a real loss to the estate resulting from his action, I cannot bring myself to recommend that Mr. Darrow be surcharged in this connection.

5. Conclusions of Law in Re. Accounts Receivable of Jacob Kulp & Co.

I. Mr. Darrow's conduct in connection with the purchase of the assets of Jacob Kulp & Co. by his employee, Miss Johnson, is deserving of censure. His acquiescence in plans of reorganization in which the

Jacob Kulp & Co. accounts receivable were granted participation and his failure to present the fact to the Court clearly constitute further violations of his fiduciary duties.

625 II.

A surcharge to the extent of the damage ultimately suffered clearly appears warranted. However, the plan of reorganization filed by the successor-trustee of National on January 20, 1947, provides for the elimination of these receivables against National and its subsidiaries. If such a provision is contained in the plans ultimately consummated in both the National and Federal proceedings, the possibility of damage will be removed. Hence, it appears appropriate that no surcharge be made at this time, but that the matter be held open for further consideration after the plans of reorganization have been approved and confirmed in each proceeding.

I have heretofore reserved my ruling upon the objections interposed by Mr. Herriott, attorney for the respondent Paul E. Darrow, former trustee, to S. E. C. Exhibits 7 to 16, both inclusive, and having considered the same I now overrule the objections to said exhibits which are received in evidence (p. 833 of Transcript of Evidence).

At the top of page 1596 of the Transcript of Evidence appears a question propounded by Mr. Herriott to which Mr. Courshon objected. I hereby overrule the objection and hold the question proper. Objections to respondent Darrow's Exhibit 5 being received in evidence are hereby overruled (p. 1695 Transcript of Evidence). At page 1749 626 of the transcript objection was made to the admis-

sibility of certain testimony of Miss Johnson and having reversed my ruling thereon I now find the testimony as relevant and overrule the objections noted thereto.

With respect to the additional compensation requested by Paul E. Darrow, former trustee, in the sum of \$5,000.00 in each case, I am constrained to suggest to your Honor that under all the circumstances surrounding these matters it is optional with the Court whether any further compensation be allowed to the former trustee.

In re. Stillwell, 12 F. (2) 205, 8 Amer. Bankruptcy Reports (new series) 70, the Court held that a bankruptcy

trustee, who made no report for two years, and whose report, when made, was insufficient to show the true state of accounts, etc. etc., was not entitled to compensation. In re. Fidler, 172 F. 632, Amer. Bankruptcy Report 16, the Court held "where a bankrupt's trustee was allowed to resign to avoid the odium of removal because of his friendly attitude to the bankrupts, and his apathy to proceedings instituted to compel the bankrupts to turn over property which they had withheld, his claim for compensation should be at least partially denied.

I feel that it would be proper for this Honorable Court to withhold consideration of any compensation to Paul E. Darrow former trustee, or his former counsel until the matters herein involved are finally determined by this

Court.

All Of Which Is Respectfully Submitted this 28th day of April, 1948.

Archie H. Cohen Special Master.

The Special Master respectfully represents that he has devoted upwards of 785 hours in reading the Final Report and Account of Paul E. Darrow, former trustee, as supplemented, the objections filed thereto, the Brief submitted by the various counsel for interested parties, research of cases cited, the Transcript of the Testimony and Documentary Evidence, attendance at the hearings held in the above matter, the drafting and assembling of the Special Master's Report, and states that in his opinion the reasonable fees for services rendered in the above matters is the sum of \$7,500.00, which has been paid by the successortrustee, Stacy C. Mosser, and Paul E. Darrow, former trustee, in equal shares. The Special Master respectfully requests that he be allowed in addition thereto the sum of \$1,000.00 for necessary and incidental expenses for stenographic and clerical services in connection with making said Report.

> Archie H. Cohen Special Master.

came the Successor Trust Stacy C. Mosser by his attorneys and filed in the Clerk's office of said Court his certain Objections To The Master's Report Of Archie H. Cohen Filed In This Court On April 15, 1949, in words and figures following, to wit:

632

IN THE DISTRICT COURT OF THE UNITED STATES
For the Northern District of Illinois
Eastern Division

• (Caption-No. 63175) • •

OBJECTIONS OF STACY C. MOSSER, SUCCESSOR TRUSTEE TO THE MASTER'S REPORT OF ARCHIE H. COHEN FILED IN THIS COURT ON APRIL 15, 1948.

Now comes Stacy C. Mosser, successor trustee, by Deming, Jarrett & Mulfinger, his attorneys, and objects to certain portions of said master's report in that the master erred:

1. In finding that Mr. Darrow's accounts should not be surcharged with the sum of Sixteen Thousand One Hundred Forty-eight Dollars and Eighty-three Cents (\$16,148.83), representing insurance commissions paid to Jacob Kulp, one of the trustee's employees, on insurance written on behalf of the two above mentioned trust estates

and their subsidiary corporations.

2. In failing to find that the trustee has failed to account for securities purchased at the judicial sale in the case of Seligman vs. Kulp in the Superior Court of Cook County through the agency of the trustee's employees and with money furnished by the trustee (and others who loaned money to Miss Johnson, but claimed no interest in the transaction and who were subsequently repaid), although, the master found that the trustee participated in said purchase.

633 3. In reviewing and stating facts relative to the ownership of the securities sold at the judicial sale in the suit of Seligman vs. Kulp and the accounts receivable acquired through the Jacob Kulp & Company bankruptcy proceedings which are immaterial and incompetent, in that they refer to alleged interests in said securities and ac-

counts receivable purported to have been given to or received by third persons as a result of the illegal acts of

the trustee's employees.

4. In failing to make proper findings of fact relative to the ownership of the securities sold at the judicial sale in the suit of Seligman vs. Kulp and the accounts receivable acquired through the Jacob Kulp & Company bankruptcy proceedings.

5. In failing to make proper findings and conclusions pertaining to the compensation of Mr. Darrow, Miss John-

son, and Mr. Kulp.

6. In making findings and conclusions pertaining to the "Quincy dividends suits", which are contrary to the evi-

dence and the law and equities of the case.

The objector, therefore, respectfully requests that this Court enter its order or orders modifying the report of the said master, Archie H. Cohen, in respect to the matters hereinbefore set forth.

Stacy C. Mosser, successor trustee. By Deming, Jarrett & Mulfinger His Attorneys.

33 N. La Salle Street, Chicago, Illinois, CEntral 4378. And on, the same day to wit, the 28th day of May, 1948 came the Securities And Exchange Commission by its attorneys and filed in the Clerk's office of said Court its certain Objections To The Report Of Speical Master Archie H. Cohen, Dated April 28, 1948 On The Final Reports And Accounts Of Paul E. Darrow And Objections Thereto in words and figures following, to wit:

635

IN THE DISTRICT COURT OF THE UNITED STATES
For the Northern District of Illinois
Eastern Division

• • (Caption—No. 63175) • •

OBJECTIONS OF THE SECURITIES AND EX-CHANGE COMMISSION TO THE REPORT OF SPE-CIAL MASTER ARCHIE H. COHEN DATED APRIL 26, 1948 ON THE FINAL REPORTS AND AC-COUNTS OF PAUL E. DARROW AND OBJECTIONS HERETO.

Comes now the Securities and Exchange Commission and presents the following objections to the report of Special Master Archie H. Cohen dated April 28, 1948 relating to the Final Reports and Accounts of Paul E. Dar-

row, former trustee:

1. The Special Master erred in his findings of fact and conclusions of law bearing upon Objection No. 10 of the Commission in the case of Federal Facilities Realty Trust (Federal), relating to the failure of the former trustee to prosecute a cause of action based upon the declaration of an illegal dividend in the amount of \$100,000 by the board of directors of Quincy Station Post Office Building Corporation (Quincy), particularly in the following respects:

(a) The conclusion that the dismissal of litigation predicated upon such cause of action did not amount to the abandonment of a substantial cause of action by the former trustee is contrary to the evidence and the applicable prin-

ciples of law.

636 (b) The Special Master omits to find; under the evidence, that the former trustee had failed to sustain the burden of establishing that he had not in violation of his fiduciary duty causes the abandonment of a substantial cause of action.

(c) The Special Master omits to find that at the time of the declaration of said dividend, Myrtle Johnson, Jacob Kulp and his son, Lee Kulp, who comprised the board of directors of Quincy, were also the common law trustees of Federal.

(d) The Special Master omits to find that the transaction whereby Federal assumed the obligation of Jacob Kulp to Quincy which was thereafter purportedly paid by said dividend, was effected through an offer made by Myrtle Johnson, Jacob Kulp and Lee Kulp to Federal, and by an acceptance of this offer on behalf of Federal by the

same individuals as common law trustees.

(e) The Special Master finds that the suits in the state court against Jacob Kulp, et al, to recover the amount of the illegal dividend were dismissed on June 20, 1938, whereas the uncontroverted evidence shows that these suits were dismissed on June 15, 1938. The materiality of the difference in dates is that by July 20, 1938, when the matter was presented to the District Court, the state court had lost jurisdiction over the dismissed suits.

2. The Special Master erred in his conclusion (p. 79) that "it is optional with the Court whether any further compensation be allowed to the former trustee," since the evidence and the pertinent equitable principles require

that further compensation be denied.

637 3. The report of the Special Master should be clarified to exclude any possible implication that findings or conclusions are made regarding claims or interests by way of lien or otherwise asserted by Joseph Baumann, his wife, or other persons not parties to the matter before the Special Master pursuant to the reference.

Respectfully submitted,
Thomas B. Hart
G. Gale Roberson
John I. Mayer
Attorneys for the Securities
and Exchange Commission.

And on, the same day to wit, the 28th day of May, 1948 came the Former Trustee, Paul E. Darrow by his attorneys and filed in the Clerk's office of said Court his certain Objections To The Report Of Archie H. Cohen, Special Master, Filed April 28, 1948, in words and figures following, to wit:

639

IN THE DISTRICT COURT OF THE UNITED STATES
For the Northern District of Illinois
Eastern Division

(Caption-No. 63175)

OBJECTIONS OF PAUL E. DARROW, FORMER TRUSTEE, TO THE REPORT OF ARCHIE H. COHEN, SPECIAL MASTER, FILED APRIL 28, 1948.

Now comes Paul E. Darrow, former trustee herein, by Irving Herriott, his attorney, and in objection to the report of Archie H. Cohen, Special Master, on the Final Report and Account as supplemented, filed here by the said Paul E. Darrow as former trustee in each of the above entitled proceedings, says:

1. The said Special Master erred in not finding that there is no evidence that there was any scheme or plan to defraud the trusts and that Darrow had participated in any such plan or scheme and the said Special Master erred in merely finding that there is no evidence that Darrow participated in any explicit scheme or plan to defraud the trusts.

2. The said Special Master erred in not stating that the matter of Darrow's not having turned over to his successor trustee an \$84,000 block of bonds of Federal Facilities Realty Trust was first brought to the Special

Master's attention by Irving Herriott, counsel for Darrow, who also voluntarily, on behalf of Darrow, agreed 640 to deliver such bonds to the successor trustee and

the said Special Master erred in merely stating that it was discovered at the hearing on July 11, 1946 that Darrow still had in his possession and had not turned over to his successor trustee said block of bonds.

3. The said Special Master erred in stating that there was no evidence introduced by Darrow showing that all

interest received on bonds of the estate was reported in his Final Account and Report, and in not finding that all such interest had by him been fully accounted for and

reported.

4. The said Special Master erred in not finding that the trusts had been very substantially benefited by Darrow's actions in purchasing bonds for the trusts with Darrow's personal funds and in merely stating that the "record would seem to indicate that the trusts benefited by Darrow's actions in these matters."

5. The said Special Master erred in finding that the prices fixed by Darrow for the purchase of bonds was determined largely by the speed with which the bonds came in; that is, if quickly the prices were raised, if slowly the prices were lowered, and in not finding that the converse was true.

6. The said Special Master erred in finding that any bonds which Darrow acquired by purchase for the Chair-

man Account were sold to various individuals.

7. The said Special Master erred in not characterizing the saving in income taxes effected by Darrow for Federal Facilities Realty Trust as "substantial" rather than "considerable."

8. The said Special Master erred in not finding that, as a result of Darrow's services as trustee in each of the foregoing proceedings, both estates were substantially

benefited and their value greatly enchanced.

that Darrow's actions as trustee as aforesaid were at all times in the utmost good faith and that the record clearly establishes that Darrow's actions were intended to and did serve the best interests of the trusts.

10. The said Special Master erred in finding that there was any discrepancy with respect to Darrow's purchase of

bonds for the trusts with his own personal funds.

11. The said Special Master erred in finding that Darrow was in any way remiss in the performance of his duties as trustee.

12. The said Special Master erred in finding that the conduct of Jacob Kulp and Miss Myrtle Johnson was in any way improper or inimical to the best interests of the trust.

13 The said Special Master erred in finding and holding under the facts and law that Darrow was surcharge-

able to any extent whatsoever and should be penalized

by surcharging him to any extent whatsoever.

14. The said Special Master erred in not finding and holding that all of the objections to the Account and Report of Darrow in each of the proceedings involved should be overruled, and said Accounts and Reports confirmed and approved.

15. The said Special Master erred in suggesting any doubt as to Darrow's right to an allowance of additional compensation for his services as trustee in each of the

above entitled proceedings.

16. The said Special Master erred in not finding and holding under the facts and the law that the equities are with Darrow.

Wherefore the said Paul E. Darrow prays that the report of said Special Master be not approved in the 642 foregoing respects, that these objections be sustained.

and that orders be entered approving his Account and Report in each of the foregoing proceedings, and allowing to him additional compensation.

Respectfully submitted,
Paul E. Darrow
By Irving Herriott
His Attorney

Irving Herriott 120 South LaSalle Street Chicago 3, Illinois Attorney for Paul E. Darrow 643 And afterwards on, to wit, the 17th day of September, 1948 came John W. Guild, As Successor Trustee by his attorneys and filed in the Clerk's office of said Court his certain Objections To The Report Of Special Master Archie H. Cohen' Dated April 28, 1948, On The Final Reports And Accounts Of Paul E. Darrow And Memoranda In Support Thereof in words and figures following, to wit:

644

IN THE UNITED STATES DISTRICT COURT For the Northern District of Illinois Eastern Division

* (Caption-No. 58334) *

OBJECTIONS OF JOHN W. GUILD AS SUCCESSOR TRUSTEE TO THE REPORT OF SPECIAL MASTER ARCHIE H. COHEN DATED APRIL 28, 1948 ON THE FINAL REPORTS AND ACCOUNTS OF PAUL E. DARROW AND MEMORANDA IN SUPPORT THEREOF.

Comes now John W. Guild, as successor Trustee under that certain indenture dated October 1, 1929 between Federal Facilities Realty Trust, the Debtor herein, and the Foreman Trust and Savings Bank, a corporation, given to secure an issue of collateral gold bonds Series A six and one-half percent (6½%), maturing October 1, 1939, by his Attorney Jacob B. Courshon, and makes the following objections to the report of Special Master Archie H. Cohen dated April 28, 1948 on the final reports and accounts of Paul E. Darrow, the former Trustee herein.

Since an adequate statement of facts is contained in the briefs heretofore filed herein, this Objector deems it unnecessary, in the interest of brevity, to make any repetition

thereof.

Inasmuch as the objections to the report of Special Master Archie H. Cohen filed herein by the Securities and Exchange Commission and Stacey C. Mosser, the successor Trustee herein, and their briefs in support thereof, deal fully and adequately with the subject matter of their respective objections to said report, this Objector will refrain from enlargement of the record herein by repetition of the same objections and memoranda in support

thereof, and hereby adopts the objections of the Securities and Exchange Commission and Stacey C. Mosser, as successor Trustee, and the memoranda in support thereof. 645 as part of his objections to said Special Master's report; and in addition thereto this Objector makes the

following objections:

The Master erred in his findings and conclusions with respect to the securities of the Debtors and their subsidiaries purchased in the Seligman vs. Kulp case in the Superior Court of Cook County by Michael Tauber and Company for and on behalf of Myrtle Johnson, an em-

ployee of Darrow, Trustee; and

2. The Master erred in his findings and conclusions with respect to the accounts receivable of Jacob Kulp and Company purchased from the Trustee in Bankruptcy of Jacob Kulp and Company by Michael Tauber and Company for and on behalf of Myrtle Johnson, an employee of Darrow. Trustee.

ARGUMENT.

In Re the Securities Purchased in the Seligman vs. Kulp Case: the total purchase price, including a 5% commission to Michael Tauber and Company amounted to \$24,203.55. The securities, for the purposes herein, were divided into two Lots, Lot I consisting of \$199,000.00 principal amount of bonds of the subsidiaries of the National and Federal; Lot II consisting of \$286,100.00 principal amount of Federal bonds; 62,358 units of beneficial interest in Federal, and 10,761.6 units of beneficial interest in National.

Of the total purchase price, the sum of \$12,447.55 was furnished by Darrow, as Trustee. The balance of the purchase price, according to the testimony of Myrtle Johnson was raised by way of a loan from one Max Levy in the sum of \$10,000.00, and some additional monies borrowed from one George Peterson. According to her testimony, the money was loaned to her individually, and repaid in a short time, and none of the parties claim any interest in any of the securities, particularly Lot II which still remain intact in a safety deposit box at the Continental Illinois National Bank and Trust Company of Chicago. There was turned over to Darrow, as Trustee, presumably as a purchase by him from Colonial Securities Company, a corporation owned and controlled by Myrtle Johnson and Jacob Kulp, both employees of Trustee Darrow, \$128,700.00 principal amount of the bonds out of Lot L Out of the

balance of the bonds in Lot I Myrtle Johnson and 646 Colonial Securities Company realized \$22,457.50. It

is to be noted that the total purchase price of all the securities, both Lots I and II, either came from funds of Darrow, as Trustee herein, or from the profits realized in the sale to the general public of some of the securities in Lot I. Neither Myrtle Johnson or any of her associates, (Kulp, Levy, Peterson or Baumann) had any in-

vestment in any of those securities.

The payment of \$12,447.55 by Darrow out of his Trust funds was made prior to the delivery of any of the securities to him, and prior to the payment of the purchase of Lots I and II in the Seligman vs. Kulp case sale. As a matter of fact, and the record so shows, Darrow's money was used in making payment for the securities, with full knowledge thereof on the part of Darrow, as Trustee, and with full knowledge on the part of Myrtle Johnson, as Darrow's employee, of the source of the securities, what the securities consisted of, and that the purchase was being made with Trust funds by persons occupying a Trust relationship to the Estate of the Debtor. It is to be noted that the money furnished by Darrow out of his Trust funds, together with the profits realized from the sale of some of the securities of Lot I were more than sufficient to pay the entire purchase price of both Lots I and II.

Let us examine the testimony as given by Attorney Louis Goldman, one of the Attorneys for the petitioning Creditors in this case, with reference to the securities in Lots I and II:

"Miss Johnson called me up and said that if I could arrange for the purchase of the securities at not to exceed \$25,000, she would furnish the purchaser and the funds." (The \$25,000 maximum was to cover

both Lots 1 and 2). (R. 220-1).

"I caused all of the securities to be released to Miss Johnson except the securities of the two top trusts, which I deposited in the vault of the Continental Bank. I don't remember if I represented anybody. I am not the owner of the securities, but at the proper time they are to be used for the benefit of my clients, the petitioning creditors." (R. 222-3).

"I would not turn these securities over to anyone until the right to possession is established in some legal proceedings or some manner satisfactorily showing proper title." (R. 227).

"Nobody has been in the box at the Continental and

nobody is going to get in the box." (R. 230).

"I received the checks, as I remember, from Miss Johnson, but I don't recall whose checks they were." (R. 262).

"I don't know who the legal or equitable owners are of the securities in that box, but I have an opinion

in the matter." (R. 275).

"The block of bonds in Lot 1 was turned over to Miss Johnson, not by me but by Michael Tauber directly." (R. 276).

"I knew she was an employee of the Trustee." (R.

277).

"We proposed to have the securities voted for a plan that the Committee representing the bondholders and beneficial certificate holders thought was fair and feasible." (R. 295).

"That pretty nearly gave us control of both cases, and in one case it does actually give us control." (R.

296).

"It was not my idea at all times to subordinate these securities. That was a subsequent development. I have not control in the subordination matter, but I thought I had control in voting. I do not know who would vote the securities." (R. 297).

"Miss Johnson never made any demand that I turn over the securities to her, nor did Darrow."

R. 300).

"I find Miss Johnson very familiar with every de-

tail of every subsidiary." (R. 350).

Notwithstanding Attorney Goldman's statement that he "didn't recall whose checks they were," he knew that the money was from Darrow, as Trustee, and were Trust funds.

An analysis of the foregoing testimony leads to but one conclusion. Attorney Goldman knew all the facts and circumstances surrounding the purchase of the securities at the sale in the Seligman case. He was an Attorney of record in this case. He represented the petitioning creditors. He had many dealings with the parties involved, particu-

larly Miss Myrtle Johnson. He knew that Miss Johnson stood in a fiduciary relationship to the Debtor, and that she was the Agent and employee of Darrow, as Trustee. He knew that the funds, or a great portion thereof, turned over to him were Trust funds. Being an Attorney with a

reputation for competence and understanding he evidently had in mind the theory of the resulting Trust when 648 he said: "I would not turn these securities over to anyone until the right to possession is established in some legal proceedings or in some manner estisfactorily

showing proper title."

It is thus easily to be seen that Attorney Goldman realized, and as a Lawyer knew, that Miss Johnson, as the Agent and employee of Darrow, as Trustee, had no right to take Trust funds and purchase securities of the Trust or its subsidiaries in her personal capacity. He knew that as a matter of law neither Darrow, as Trustee, nor Miss Johnson, as his Agent and employee, had the right to deal with securities arising or growing out of the Debtor or any of its subsidiaries, or to deal with any of the funds of the Debtor's Estate, or the Estate of any of its subsidiaries, in any manner or form other than for the benefit of the Debtor's Estate.

Because of their, (Darrow and Johnson) fiduciary relationship to the Debtor, they had no legal right to deal in such securities, other than for the use and benefit of the Debtor's Estate. Regardless of whether or not Miss Johnson thought she was dealing in her individual capacity, and regardless of whether or not Darrow felt that Miss Johnson had the right to deal in these securities in her individual capacity, the legal effect of every act and transaction which took place in the purchase of the securities involved in the Seligman vs. Kaip case, especially by the use in such acts and transactions of funds belonging to the Debtor's Estate, was, and is, that they constituted acts and transactions for the use and benefit of the Trust. In legal effect, Darrow, as Trustee, was the purchaser of the securities involved in the Seligman vs. Kulp case.

As a matter of law, when Myrtle Johnson used Trust funds in the purchase of the securities in the Seligman vs. Kulp case, consisting of securities of the Debtor and its subsidiaries, and took title or possession in herself, a Resulting Trust was created for the use and benefit of

Darrow, as Trustee.

A Resulting Trust arises by operation of law in favor of the person furnishing the consideration. (65 Corpus Juris 382 and cases therein cited).

649 It was not necessary for Darrow, as Trustee, and Myrtle Johnson to have previously arranged between themselves for her to purchase the securities in the Seligman case for the use and benefit of his (Darrow's) Trust.

"A resulting Trust does not arise out of, nor is it dependent upon an agreement between the parties, but it is raised by operation of law upon a particular state of facts": Lutyens v. Ahlrich, 308 Illinois 11; Partridge v. Berliner, 325 Illinois 253; Falgowski v. Daniel, 333 Illinois 208; Tritchler v. Anderson, 334 Illinois 211; Baker v. Le Mire, 355 Illinois 626; Cook v. Blazis, 365 Illinois 625.

"A resulting Trust often occurs directly contrary to the intention of the one holding the legal title to property": McDonnell v. Holden, 352 Illinois 362.

"If the facts exist that one person's money paid for property and title was taken in another a Trustais raised in favor of the person whose money was used to purchase the property, and it is immaterial whether the purchase was made by the one or other, and it may have been made by either, without the knowledge of the other": Crawford v. Hurst, 307 Illinois 243.

"Ordinarily the existence of a resulting Trust is established by proof that the purchase price of property has been paid by one person's funds and the title to the property taken in the name of another, the Trust not arising by reason of any contract between the parties but coming into existence by operation of law in favor of the person whose money was used to purchase the property": Kinsch v. Kinsch, 348 Illinois 446.

The foregoing doctrine of Resulting Trust is well settled and accepted in all jurisdictions, without exception. The facts and circumstances in this case lend themselves to no other conclusion than that when Myrtle Johnson acquired the securities in the Seligman case by the use of funds furnished by Darrow, as Trustee, out of his separate Trusts, a Resulting Trust arose by operation of law in favor of Darrow, as Trustee, and all of the securities purchased in the Seligman case became the property of Darrow, as Trustee, and could only be dealt with by him or any of his Agents as such.

The duties and responsibilities of a Trustee, and all persons dealing with him as Trustee, and of his Agents and employees, and the well settled law with respect thereto, is amply and fully discussed in the briefs of both the Securities and Exchange Commission and Stacey C. Mosser. Trustee and accordance in the securities and Exchange Commission and Stacey C. Mosser.

ser, Trustee, and need no voluminous discussion or 650 supporting citations here. The recognized summation of the law was made by Justice Cardozo in the case of Meinhard v. Salmon, 249 N.Y. 438 at Page 464, in which

he states:

"Many forms of conduct permissible in a workaday world for those acting at arm's length, are forbidden to those bound by fiduciary ties. A trustee is held to something stricter than the morals of the market place. Not honesty alone, but the punctilio of an honor the most sensitive, is then the standard of behavior. As to this, there has developed a tradition that is unbending and inveterate. Uncompromising rigidity has been the attitude of courts of equity when petitioned to undermine the rule of undivided loyalty by the 'disintegrating erosion' of particular exceptions (Wendt v. Fischer, 243 N.Y. 439, 444). Only thus has the level of conduct for fiduciaries been kept at a level higher than that trodden by the crowd. It will not consciously be lowered by any judgment of this court."

The power of this Court to deal with situations of the sort herein involved are inherent in its equitable powers. As the Supreme Court of the United States has spoken in the case of American United Mutual Life Insurance Company v. City of Avon Park, Florida, 311 U.S. 138, 85

Law Ed. 91 (1940):

"A Bankruptcy Court is a court of equity and is guided by equitable doctrines and principles except insofar as they are inconsistent with the Act.... A court of equity may in its discretion and in the exercise of the jurisdiction committed to it, grant or deny relief upon performance of a condition which will safeguard the public interest."

"Where such investigation discloses the existence of unfair dealing, a breach of fiduciary obligations, profiting from a trust, special benefits for the reorganizers, or the need for the protection of investors against an inside few or of one class of investors from the encroachments of another, the court has ample power to adjust the remedy to meet the need."

The Master in his report did recommend the surcharge of Darrow's accounts to the extent that actual money profit was realized by Miss Johnson and Colonial Securities Company in the sale of securities in Lot I, being the sum of \$10,701.50 This falls short of the proper finding and recommendation which the Master should have made, namely that the purchase of all the securities in both Lots I and II was for the use and benefit of Darrow's Trust,

under the doctrine of the Resulting Trust hereinbe-651 fore mentioned. Not only should Darrow's accounts

be surcharged with all profits realized from the sale of securities in Lot I, but also with the value of any additional securities in Lot I remaining unsold, and a further finding that the entire of Lot II is, as a matter of fact and

law, the property of the Debtor's Estate.

All findings and statements in the Master's Report of the possibilities of any of the securities in Lot II being claimed by other is erroneous. The Master erred in failing to find that as a matter of fact and law, all the securities, both Lots I and II from the very date of the purchas of those securities in the Seligman vs. Kulp case, were the property of the Debtor's Estate. The Master erred in failing to find that Darrow had failed to account for all property which came, or should have come into his possession as Trustee.

The conclusion of the Master to the effect that he deemed it advisable to reserve jurisdiction for a further surcharge in the event that the securities in Lot II are not cancelled through consumnation of the plans of reorganization of both National and Federal, is erroneous. The Master should have found that those securities belong to the Debtor's Estate, as having been purchased with Trust funds.

In re Accounts Receivable of Jacob Kulp and Company Purchased in the Bankruptcy Proceedings of that Company from the Trustee in Bankruptcy: This Objector especially directs the Court's attention to the "Findings of Fact" in connection therewith (Pages 45 through 49—Master's Report), and the "Conclusions of Law" with reference thereto (Pages 77 aand 78—Master's Report). In view of the Master's findings and the entire record of

the hearings held before the Master, it is difficult to conceive how the Master in his "Conclusions of Law" could so lightly by-pass the reponsibilities of Darrow, as Trustee. with reference to these accounts receivable.

It is to be noted that the subsidiaries of Federal and National have been reorganized, and plans have been confirmed under which these accounts receivable have been recognized, allowed and provided for. In his Report the Master stated, in his Conclusions: "His (Darrow's)

652 acquiescence in plans of reorganization in which the Jacob Kulp and Company accounts receivable were granted participation, and his failure to present the facts to the Court, clearly constitute further violation of his fiduciary duties"; and again as the Master has stated in his "Findings of Fact" (Page 48—Master's Report), "It is clear from the fact that (when) the petition was filed Darrow was aware that the allowance of such claims would reduce the equity of the Trusts in the subsidiaries": and "However, while Trustee and President of each subsidiary Darrow permitted the allowance of accounts receivable totaling \$81,311.34 in the reorganization plans of six of the subsidiaries in 77B proceedings", and "... it appears that many of the accounts receivable were allowed and set up without any claims ever having been filed for them", and the concluding paragraph of the Master in his "Findings of Fact" with respect to said receivables, "It should be noted, however, that Miss Johnson participated in most, if not all, of these reorganizations. At this time it appears that she and Kulp, by virtue of an understanding with Baumann, had an interest in the accounts receivable, for they were to share in them when and if Baumann's loans were repaid". In the face of these "Findings of Fact" and "Conclusions of Law" by the Master, there must of necessity follow a recommendation on his part that Darrow's accounts be surcharged for all of those accounts receivable for which allowances were made in the various subsidiaries' reorganizations, which Darrow could have prevented and should have prevented had he been diligent and conscientious and fulfilled his responsibilities as Trustee herein. This Objector, therefore, respectfully submits. that the Master's "Findings" and "Conclusions" with reference to said accounts receivable in erroneous, and improperly places the burden upon the Debtor, rather than upon Darrow whose lack of diligence as Trustee made it

possible for the accounts receivable to be allowed and provided for in the aforementioned reorganizations, to the detriment and probably irreparable damage to the Estate of the Debtor, and diminution of the Debtor's equitable interest in its subsidiaries.

Respectfully submitted,
Jacob B. Courshon
Jacob B. Courshon, Attorney for
John W. Guild, as successor Trustee

And afterwards, to wit, on the 12th day of April, 1949 being one of the days of the regular April term of said Court, in the record of proceedings thereof, in said entitled cause, before the Honorable William J. Campbell District Judge, appears the following entry, to wit:

654

IN THE DISTRICT COURT OF THE UNITED STATES For the Northern District of Illinois Eastern Division

- . (Caption-No. 58334)
- • (Caption-No. 58335) •

MEMORANDUM AND ORDER

CAMPBELL, District Judge.

This matter comes before the Court upon a Report of Special Master Archie H. Cohen on the Final Reports and Accounts and Supplements thereto of Paul E. Darrow, Former Trustee herein, to which objections were filed by the Securities and Exchange Commission, Stacy C. Mosser, Successor Trustee, and John W. Guild, Successor Trustee under a certain Trust Indenture.

On May 24, 1948, by order of the Executive Committee, the matters of Federal Facilities Trust, Debtor, a common law trust, and National Realty Trust, Debtor, a common law trust, were reassigned from Judge Holly's Calendar, where they were previously pending, to my Calendar. On this date, among matters pending for action, was the aforementioned Special Master's Report, together with objec-

tions filed thereto.
655 Paul E. Darrow was appointed Trustee of Federal

Facilities Trust on April 25, 1935 and of National

Realty Trust on May 24, 1935. From these dates until his resignation on August 10, 1943, he served as Trustee of both Debtors, conducting their business and managing and operating their twenty-seven subsidiaries. The Final Reports and Accounts and Supplements thereto here involved cover the entire periods of time Darrow served as Trustee and were intended to fully account for his administration of these trusts.

The early history of both common law trusts is set forth in documents filed in these proceedings. It appears that in 1920 Jacob Kulp & Company became a corporation engaged in the mortgage business. After such incorporation, it organized and promoted twenty-seven building corporations which were financed through the sale of first and second mortgage bonds to the public. Each building was owned by a separate corporation and all, with a few exceptions, were constructed to be leased to the government for use as post offices or post offices combined with stores or apartments. The stock of each of these corporations was either issued to Jacob Kulp or to Jacob Kulp & Company. The principal income derived by Jacob Kulp & Company or Jacob Kulp was from the control and management of these properties.

On September 10, 1929, Federal Facilities Realty 656 was created by a Declaration of Trust naming Jacob

Kulp, Lee Kulp and Myrtle Johnson as Trustees. The Federal Trust authorized its Trustees to issue 500,000 shares of beneficial interest and ten year collateral trust 6½% bonds in the sum of \$1,000,000, maturing October 1, 1939. 350,000 of these shares of beneficial interest and \$558,300.00 in bonds were issued and remain outstanding. Jacob Kulp and Jacob Kulp & Company transferred to Federal's Trustees all of the capital stock of fourteen of these building corporations for which he received 100,000 shares of beneficial interest and \$300,000 of collateral trust bonds.

On July 2, 1930, National Realty Trust was created and Jacob Kulp, Lee Kulp and Myrtle Johnson were named as Trustees. The National Declaration of Trust authorized the issuance of 180,000 shares of the par value of \$25 per share, of which 46,636.5 shares were issued and remain outstanding. Jacob Kulp and Jacob Kulp & Company transferred to National's Trustees all of the capital stock

of thirteen of the building corporations for which he received 20,000 shares of beneficial interest in the debtor.

All of these building corporations, with a few exceptions, have been reorganized since the filing of these proceedings

and during the time Darrow acted as Trustee.

In December, 1934, involuntary 77-B petitions were filed in this Court by creditors of Federal Facilities Real-

657 ty Trust and National Realty Trust, hereinafter called "Federal" and "National", and shortly thereafter Paul E. Darrow was appointed Trustee for both trusts. By order of this Court, Paul E. Darrow was authorized to contract with the subsidiaries to manage the properties, collect the rents, select the employees, and place the insurance, at a compensation of 5% of the gross income. Pursuant to this order the said Darrow employed Jacob Kulp and Myrtle Johnson, two of the founders of the trusts, to be associated with him in the performance of his duties as Trustee. By further order of this Court, the salaries of Darrow, Kulp and Johnson were fixed as follows: Darrow \$500 per month, Kulp \$300 per month and Johnson \$250 per month. It appears not to be disputed that while employed by the Trustee, Miss Johnson supervised the Trustee's office, advised him concerning management questions and personally took care of many details concerning the reorganization of the subsidiaries. Both Jacob Khip and Miss Johnson had access to all the Trustee's records and information and dealt directly with outstanding bondholders, both in an individual capacity and as employees of the Trustee and were persons fully informed in all matters pertaining to the business of the trusts.

While employed by the Trustee, Jacob Kulp and Miss Johnson organized the Colonial Securities Company, a corporation. The stock of this company was owned by

658 the Kulps and Miss Johnson, and through this company they engaged in the business of purchasing and selling securities of the trusts' subsidiaries with Trustee

Darrow's knowledge and approval.

The Court, on June 19, 1942, appointed one Frederick B. Andrews, a certified public accountant, to make an investigation of trading transactions of Federal and National and the twenty-seven subsidiaries, and upon the completion of his investigation he filed a report which became known as "the Andrews Report".

Following the Andrews' investigation, on August 13, 1943, Paul E. Darrow resigned as Trustee of Federal and National and on October 15, 1943 filed his Final Accounts. The Report in Federal covers the entire time of Darrow's trusteeship service, namely, from April 25, 1935 to August 13, 1943. In National, the period covered is from December 1, 1940 to August 13, 1943. By order of Court entered January 31, 1941 in National, the Trustee's acts and doings from May 24, 1935 to November 30, 1940 were approved.

The Federal Final Report here involved filed October 15, 1943, among other things, states that Darrow, as Temporary Trustee, was given full authority to direct, maintain and continue the business of Federal and to manage its properties, and when made permanent Trustee the additional rights, powers and authority of a Trustee in Bank-

ruptcy and a Receiver in Equity. In accordance with 659 such power, Mr. Darrow states in such Account that

he conducted the business of the Debtor; that he discovered the necessity of reorganizing many of the subsidiary corporations, and he caused the reorganization of all of Federal's subsidiaries, with the exception of the Roseland Building Corporation; that in conducting the business of the Debtor he received interest payments on bonds, management fees from the operation of the properties, and with the surplus funds from time to time purchased bonds of the subsidiary corporations. Attached to his Account is a Summary of the Status of the Underlying Companies of Federal as of August 13, 1943, and reference is made to the subsidiary corporations of Federal and a statement concerning how and when various subsidiaries were reorganized.

The Report of the Trustee in National, filed October 15, 1943, follows the same pattern as his Report in Federal and requests approval of all his acts from December, 1940 to August 13, 1943. Included in this Account is also a Summary of the Status of the Underlying Companies of National as of November 30, 1940; of Cash Receipts and Disbursements for the period of the Account from January 1, 1935 to August 13, 1943, and from December 1, 1940 to

August 13, 4943, together with other matters.

The objectors to the Trustee's Accounts claim: dis-660 crepancies exist in such Accounts; there is a failure to show the correct sums of earned and accrued interest on holdings of certain subsidiaries and absence of explanations relative thereto; loans of trust funds were made and not properly accounted for; items in the summary of operating expenses are not properly explained; profits realized in trading with Jacob Kulp and Myrtle Johnson in bonds of subsidiary companies are not stated; a variance exists between the Accounts and the Detailed Schedules Supplementing such Accounts; the Trustee failed to explain his actions in the Quincy Station Office Building Corporation, and his omission to prosecute certain causes of action; the Accounts lack detailed information respecting Trustee Darrow's purchases and sales of bonds, the Trustee's requested compensation should not be allowed: the Trustee has failed to state his profits in connection with the Louis Goldman purchase of certain securities: there is a variance between the Trustee's Reports and the Frederick B. Andrews' Report; there is failure to accurately and correctly state the condition of the Paul E. Darrow Chairman Account, and to properly account for series "A" 61/2% bonds made by Kulp and Company; there is a failure of the Trustee to account for distribution of claims in the Seligman vs. Kulp case and to comply with the order of Court respecting when

to show commissions or discounts paid to the Trustee on account of certain insurance purchased, and to report concerning fees and compensation paid him as a Director or Officer of certain subsidiaries of the Debtor; there is a failure to fully disclose business transactions and profits made with Colonial Securities Company, and to keep books accurately reflecting profits made or ex-

penses incurred in his many transactions.

The hearings commenced before the Master on October 25, 1944 and concluded on May 28, 1947. Over 2500 pages of testimony were taken and the respective counsel appearing at such hearings, representing the different parties in interest, conducted extended examinations touching upon the matters contained in the Reports and Accounts. The Master filed his Report April 29, 1948.

The Master's findings of fact cover the Trustee's employees' general dealings in the securities of the trustee and their subsidiaries; the purchase of securities in the Seligman vs. Kulp case; the placing of insurance by Jacob Kulp; the Quincy Station Post Office Building Cor-

poration dividend transaction; the accounts receivable sold by Maurice Klein as Trustee in Bankruptcy in the liquidation of Jacob Kulp & Company, the physical setup

to Colonial Securities Co.; the history and transactions of a certain account disbursed as the Chairman Account; the records, reports and accounts of the Trustee, including current records, final reports and accounts, and report to the Court; certain discussions had between Darrow and the Securities & Exchange Commission; certain explanations and contentions of the respondent including personal loans, Miss Johnson's services and income tax reduction.

The Master's Report, consisting of 83 pages, sets forth in great detail as his findings certain parts of the pertinent testimony offered by the respective witnesses. The Securities & Exchange Commission filed with the Special Master, after the proofs were closed, an abstract of the testimony. It is evident this abstract was painstakingly and carefully prepared by its author, and, undoubtedly, was of material assistance to the Special Master in the preparation of his report. The Master's conclusions of law, summary in form, relate (1) to the trading in underlying securities by employees of the Trustee; (2) his purchase of certain securities involved in the Seligman-Kulp case; (3) the insurance commissions received by Mr. Kulp; (4) the Quincy dividend suits and (5) certain accounts re-

ceivable of Jacob Kulp & Company.

Mosser, John W. Guild and Paul E. Darrow filed objections to the Master's Report. These objections, with the exception of the Darrow objections, in substance, state the Master erred in certain of his findings and conclusions regarding the Quincy dividend litigation, the Darrow request for additional compensation, the findings relative to the Kulp insurance commissions, the purchase and ownership of certain securities involved in the Seligman vs. Kulp case. Counsel for the former Trustee contend error was committed by the Master in making certain findings and because of his failure to make required findings. The Securities & Exchange Commission in objecting to the Special Master's recommendations pertaining to Darrow's fees "that such fees s'ould be presently allowed," urge that the Special Master should have gone further in his report and recommended a disallowance of such fees.

Numerous briefs, both original and reply, were filed by the respective parties in support of their various objections. It is clear from an examination of these briefs and the statements found therein, along with the evidence submitted, the Trustee's failure to file reports rendered the determination of his reports and accounts not only extremely difficult but it necessitated conducting a great many hearings extending over a period of several

of the Trustee to file reports of the administration of his trust is confined to the statement: "During the eight and one-third years of Darrow's trusteeship, he filed no reports of his administration of Federal and only one of his administration of National." It further appears little or no explanation was offered the Master for the Trustee's woeful neglect of such a fundamental duty.

The Master made findings of fact which the Court has carefully considered in connection with the various objections. To discuss in detail these findings and the many objections in the light of the voluminous testimony, and to deal specifically with the various contentions of the objectors, would serve no useful purpose. To set aside all these findings would do violence to the rule that the findings of a Master are not to be disturbed unless it clearly appears such findings are not supported by the evidence. Many hours and days were spent both in taking of the testimony and the introduction of the evidence constituting a part of this report. The Master had full opportunity to see and hear the witnesses and decide the weight and value of their testimony.

The Court believes it unnecessary to summarize the Master's conclusions of law. Briefly stated, these 665 conclusions deal with the Trustee's duties, his derelic-

tion of such duties and the legal consequences of such dereliction. Part of the Master's conclusions exonerate the Trustee from wrongdoing, other parts do not. The amount the Master concludes the former Trustee should be surcharged is fixed at the sum of \$43,447.46.

The Court, from an examination of the Master's Report, the documentary evidence submitted, the objections filed to the Master's Report and the briefs in support of such objections, finds that the objections to the findings of fact and conclusions of law of the Special Master that Paul E. Darrow, as Trustee, should be surcharged for profits

made by Colonial Securities Company, Myrtle Johnson and Jacob Kulp, in the sale of certain securities in the sum of \$38,745.96; that Paul E. Darrow should be surcharged for profits made by his employees, Myrtle Johnson and Jacob Kulp in dealing in the securities involved in the Seligman vs. Kulp transaction in the sum of \$10,701.50; that Paul E. Darrow should not be surcharged for insurance commissions earned by Jacob Kulp on insurance written on the trusts' property, that Paul E. Darrow should not be surcharged in connection with certain suits to recover a certain dividend declared by the Directors of the Quincy Station Post Office Building Cor-

poration, and that no surcharge be presently made to 666 Paul E. Darrow's conduct in connection with the purchase of assets of Jacob Kulp & Company by his employee, Myrtle Johnson, should be and the same are

hereby overruled.

The Court finds that the objections to the findings of fact and conclusions of law respecting the Paul E. Darrow request for additional compensation in Federal and Na-

tional should be and the same are hereby sustained.

In view of the fact the Plan of Reorganization for National contemplates the cancellation of the securities in Lot 2, and the elimination of certain receivables against National and its subsidiaries, the determination of; the ownership of certain securities described in the conclusions of law as "securities in Lot 2"; whether or not Paul E. Darrow should be further surcharged for profits. made in dealing in the securities involved in Seligman vs. Kulp; whether or not Paul E. Darrow should be surcharged for its conduct in connection with the purchase of certain assets of Jacob Kulp & Company by his employee; Myrtle Johnson; and whether or not Paul E. Darrow should be paid the additional compensation requested in his Final Reports and Accounts, will, undoubtedly, throw further light on the question whether Paul E. Darrow should be allowed the requested compensation and, therefore, the foregoing matters are hereby referred to Special Master Martin Ward in accordance with the general order of reference entered herein June 10, 1948.

667 The Court reserves the right to make such further orders respecting the approval or rejection of former Trustee Darrow's Final Reports and Accounts, and the

allowance or disallowance of compensation as requested by former Trustee Darrow, as equity may require. Enter:

Campbell United States District Judge.

April 12, 1949.

668 And afterwards on, to wit, the 28th day of April, 1949 came the Former Trustee, Paul E. Darrow by his attorneys and filed in the Clerk's office of said Court his certain Notice Of Appeal In Each Of The Respective Cases Nos. 58334 and 58335 in words and figures following, to wit:

(Only One Notice of Appeal Submitted)

669

IN THE DISTRICT COURT OF THE UNITED STATES
For the Northern District of Illinois
Eastern Division

In the Matter of FEDERAL FACILITIES REALTY TRUST, a Common Law Trust, Debtor.

In the Matter of
NATIONAL REALTY TRUST, a
Common Law Trust,
Debtor.

Appeal of:
PAUL E. DARROW, Former Trustee,
Appellant.

In Proceedings Under Section 77-B No. 58334

In Proceedings Under Section 77-B No. 58335

NOTICE OF APPEAL.

Mr. C. W. Mulfinger, 33 North La Salle Street Chicago, Illinois. Attorney for Stacy C. Mosser, Successor Trustee herein. Mr. Jacob B. Courshon, 231 South La Salle Street

Chicago, Illinois.
Attorney for John W. Guild,
Successor Trustee under a Trust

Messrs. Thomas B. Hart, G. Gale Roberson.

and John L. Mayer, 105 West Adams Street Chicago, Illinois.

Indenture.

Attorneys for the Securities and Exchange Commission.

Securities and Exchange Commission 105 West Adams Street Chicago, Illinois.

Notice Is Hereby Given that Paul E. Darrow, Former Trustee herein hereby appeals to the United States Court of Appeals for the 7th Circuit, from a certain 14-page typewritten "Memorandum and Order" entered herein 670 by the Hon. Wm. J. Campbell, under date of April

12, 1949; the said "Memorandum and Order" being concerned with the Report of Special Master Archie H. Cohen on the Final Reports and Accounts and Supplements thereof of Paul E. Darrow, former Trustee herein, and the objections thereto filed on behalf of Stacy C. Mosser, Successor Trustee, John W. Guild, Successor Trustee under a certain Trust Indenture, the Securities and Exchange Commission, and Paul E. Darrow, Former

Trustee herein.

And the above Paul E. Darrow, as Former Trustee herein, particularly appeals from all parts and portions of the said "Memorandum and Order" which are in any way

concerned with the following matters, to-wit:

(a) The surcharging of Paul E. Darrow for the sums of \$32,745.96 and \$10,701.50 or a total purported surcharge of \$43,447.46, or for any part of such surcharge.

(b) The denial or postponement of a hearing at this time on the request of Paul E. Darrow for additional compensation as Trustee in each of the above Debtor proceedings.

(c) The Reference of certain matters, particularly mentioned and described in the last paragraph of

of the said "Memorandum and Order" (except the final paragraph) to Special Master Martin Ward. "Inaccordance with the general order of Reference entered herein June 10, 1948."

(d) Any and all parts of the said "Memorandum and Order which find or imply that Paul E. Darrow was guilty of any wrongdoing whatever as former former Trustee herein.

The foregoing Notice of Appeal is respectfully sub-

mitted by

Paul E Darrow, as Appellant herein Urban A. Lavery Urban A. Lavery 33 South Clark Street Chicago 3, Illinois, and Irving Herriott Irving Herriott 120 South La Salle Street Chicago 3, Illinois.

Attorneys for Paul E. Darrow as Appellant herein.

Dated at Chicago, Illinois, April 29, 1949.

(Attached hereto is the following certificate):

671 United States of America Northern District of Illinois

CERTIFICATE OF MAILING.

I. Roy H. Johnson, Clerk of the United States District Court and for the Northern District of Illinois, do hereby certify that on April 29, 19.., in accordance with Rule 73 (b) of the Federal Rules of Civil Procedure a copy of the foregoing Notice of Appeal was mailed to-

Mr. C. W. Mulfinger 33 N. La Salle St. Chicago, Illinois Mr. Joseph B. Courshon Securities & Exchange 231 S. La Salle St. Chicago, Illinois

Messrs. Thomas B. Hart G. Gale Roberson, J. I. Mayer 105 W. Adams St. Chicago, Illinois Commission 105 W. Adams St. Chicago, Illinois

In Testimony Whereof, I have hereunto subscribed my name and affixed the seal of the aforesaid Court at Chicago, this 29th day of April, A. D. 1949.

Seal Roy H. Johnson

By Gizella Butcher

Deputy Clerk

672 And afterwards on, to wit, the 20th day of May, 1949 came the Appellant, Paul E. Darrow by his attorneys and filed in the Clerk's office of said Court his certain Statement Of Points Under Rule 75 in words and figures following, to wit:

673

IN THE DISTRICT COURT OF THE UNITED STATES
For the Northern District of Illinois
Eastern Division

• (Caption-No. 58334-58335)

STATEMENT OF POINTS UNDER RULE 75.

Comes now the above named Appellant, Paul A. Darrow by Urban A. Lavery and Irving Herriott his attorneys and, in connection with the matter of "Statement of Points" mentioned in subparagraph (4) of Rule 75 of the Federal Rules of Civil Procedure, Appellant respectfully shows.

A. All parties to this Appeal, by their respective Counsel, have entered into a Stipulation as to the Record on Appeal in this matter in lieu of the Pleading entitled "Designation of Contents of Record on Appeal" mentioned in subparagraph (a) of said Rule 75.

B. In such Stipulation there is to be incorporated in this Record on Appeal the "Complete Record and all of the Proceedings and Evidence in the Action" as mentioned in subparagraph (d) aforesaid, concerned with the "Statement of Points."

United States Federal Court of Appeals for the 7th Circuit, Appellant presents and files herewith with the Clerk of the District Court for inclusion in the Record on Appeal the following Statement of Separate and Par-

ticular Points of Error, which Appellant asserts and in-

tends to urge.

Point 1. The District Court erred in his Memorandum and Order dated April 12, 1949, in sustaining the Report and Recommendations of the Master Archie H. Cohen in so far as his Report and Recommendations adversely concerned or affected this Appellant.

Point 2. The District Court erred in its Memorandum and Order last mentioned in sustaining any and all the Objections of the Securities and Exchange Commission to the said Master's Report in so far as said Objections were adversely directed to this

Appellant.

Point 3. The District Court erred in its Memorandum and Order last mentioned in sustaining any and all the Objections of Stacy C. Mosser, Successor Trustee, to the said Master's Report in so far as said Objections were adversely directed to this Appellant.

Point 4. The District Court erred in its Memorandum and Order last mentioned in sustaining any and all the Objections of John W. Guild, Successor Trustee under a Trust Indenture, to the said Master's Report in so far as said Objections were adversely

directed to this Appellant.

Point 5. The Court erred in so far as it failed to sustain the Objections of the Appellant Paul E. Darrow to the Report and Recommendations of the

said Master.

675 Point 6. The Court erred in sustaining the Recommendation of the Master in his Report that this Appellant be surcharged the sum of \$43,447.46; and the Appellant urges that the sustaining by the District Court of any surcharge whatever in the premises was likewise a matter of reversible error.

Point 7. The Court erred in sustaining the Recommendation of the Master that the Appellant be surcharged the sum of \$32,745.96 for alleged profits made by Colonial Securities Company, Myrtle Johnson and

Jacob Kulp in the sale of certain securities.

Point 8. The Court erred in sustaining the Recommendation of the Master that the Appellant be surcharged the sum of \$10,701.50 for profits made by

his employees Myrtle Johnson and Jacob Kulp in certain securities with respect to the so-called Selig-

man vs. Kulp transaction.

Point 9. The Court erred in not relieving the Appellant from any future liability in connection with the purchase of assets of Jacob Kulp & Company by either Jacob Kulp or Myrtle Johnson personally while employed by Appellant as Trustee.

Point 10. The Court erred in referring certain matters to Special Master Martin Ward of the Federal District Court in Chicago, concerning any possible further surcharge against Appellant for alleged profits made in dealing with the securities involved in

the so-called Seligman vs. Kulp transaction.

Point 11. The Court erred in failing to allow the Appellant the additional sums for compensation as Trustee in each of the above mentioned Reorganization Proceedings, namely Federal Facilities Realty Trust, District Court No. 58334 in Bankruptey and 876 National Realty Trust, District Court No. 58335 in Bankruptey.

Peint 12. The District Court erred in failing to approve the Final Reports and Accounts and Supplements thereto of the Appellant, as such Reports and Accounts were filed by Appellant in the District Court.

Accounts were filed by Appellant in the District Court.

Point 13. The Court erred in reserving jurisdiction to make further Order respecting the rejection of the Final Reports and Accounts of the Appellant as Former Trustee herein.

All of which is respectfully submitted.

Paul E. Darrow, Former Trustee herein,

Appellant
By Urban A. Lavery
Urban A. Lavery
Irving Herriott
Irving Herriott

His Attorneys.

Dated: May 20, 1949.

PROOF OF SERVICE OF THE FOREGOING STATEMENT OF POINTS.

State of Illinois County of Cook 3

Buren Bounell, being first duly sworn, deposes and says that she is secretary to Urban A. Lavery, one of the attorneys for Paul E. Darrow, Appellant, in the Proceeding named in the Foregoing Document; and that at the direction of the said attorney she served a copy of the foregoing Document on each of the following parties, being all of the attorneys of Record concerned with this Appeal: C. W. Mulfinger, 33 North La Salle Street, Chicago, Illinois, Attorney for Stacy C. Mosser, Successor Trustee herein; Jacob B. Courshon, 231 South La Salle Street, Chicago, Illinois, Attorney for John W. Guild, Successor Trustee under a Trust Indenture; Messrs. Thomas B. Hart, J. Kirk Windle and John I. Mayer, Attorneys for Securities and Exchange Commission, 105 West Adams Street, Chicago, Illinois.

Affiant further states that she served such copies 677 by mailing to each of the above named parties at the addresses given above, by United States mail, postage prepaid in a scaled envelope on Friday, May 20, 1949; the said envelope containing copy of the foregoing Document entitled "Statement of Points under Rule 75" and also a

copy of this affidavit.

Further Affiant saith not.

Buren Bounell

Subscribed and sworn to before me this 20th day of May, 1949.

Irving W. Konigaberg Notary Public

to be subject to all beauty

And on the same day, to wit, the 28th day of April, 1949 there were filed in the Clerk's office of said Court two certain Bonds For Costs On Appeal, In Cases Numbered 58334 and 58335 in words and figures following, to wit:

(Only One Bond Submitted)

679

IN THE DISTRICT COURT OF THE UNITED STATES
For the Northern District of Illinois
Eastern Division

- (Caption-No. 58334) •
- (Caption-No. 58335) •

BOND FOR COSTS OF APPEAL

Know All Men By These Presents, that Frank E. Darrow of Chicago, Illinois, as Principal and Maryland Casualty Company as Surety are held and firmly bound to the Federal Facilities Realty Trust, a Common Law Trust, Debtor in the above entitled Proceedings, and National Realty Trust, a Common Law Trust, Debtor in the above entitled Proceedings, in the sum of Two Hundred and Fifty and no/100 Dollars (\$250.00) to be paid to the Debtors last mentioned for the payment of which well and truly to be made, we bind ourselves, our successors and assigns firmly by these presents.

Whereas, on the 12th day of April, 1949, in the above entitled Proceedings in Bankruptcy in the District Court of the United States for the Northern District of Illinois, Eastern Division, a certain "Memorandum and Order" was entered by the Horofable William J. Campbell, one of the Judges of the last mentioned Court, and

Whereas, the above named Paul A. Darrow, feeling aggrieved by the injury of such "Memorandum and Order" has appealed to the United States Court of Appeals for the 7th Circuit,

680 Now, Therefore, the condition of this obligation is such that if the said Paul E. Darrow shall prosecute his Appeal with effect and in accordance with law and pay all costs if the Appeal is dismissed or the said "Mem-

orandum and Order" is affirmed, then this obligation to be void; otherwise to remain in full force and effect.

Signed and sealed this 28th day of April, 1949.

Paul E. Darrow
Paul E. Darrow, as Principal
Maryland Casualty Company
By John J. Phelan, Attorney-in-Fact
Its Attorney in Fact Surety.

681 And afterwards, to wit, on the 2nd day of May, 1949 being one of the days of the regular May term of said Court, in the record of proceedings thereof, in said entitled cause, before the Honorable William J. Campbell, District Judge, appears the following entry, to wit:

682

For the Northern District of Illinois

Eastern Division

• (Caption-No. 58334) •

• (Caption-No. 58335)

DRAFT ORDER.

This cause coming on to be heard on Motion of Paul E. Darrow, Former Trustee herein, it is Ordered that the above entitled causes be, and they hereby are, consolidated for purposes of Review and Appeal therein to the United States Court of Appeals for the 7th Circuit, the said Appeal being in the matter of the Appeal of the said Paul E. Darrow from the "Memorandum and Order" of this Court heretofore entered herein April 12, 1949; the said consolidation being for the purpose of permitting one single consolidated Record to be prepared by the Clerk of this Court and transmitted to the United States Court of Appeals aforesaid.

Signed: Campbell

Judge

Dated: May 2, 1949.

And afterwards on, to wit, the 11th day of May, 1949 came the Successor Trustee, John W. Guild by his attorneys and led in the Clerk's office of said Court his certain Notice Of Appeal in words and figures following, to wit:

684 IN THE UNITED STATES DISTRICT COURT
For the Northern District of Illinois
Eastern Division

In the Matter of:

FEDERAL FACILITIES REALTY
TRUST, a Common Law Trust,
Debtor

In the Matter of:

NATIONAL REALTY TRUST, &

Common Law Trust,

Debtor

Appeal of:
PAUL E. DARROW, Former Trustee,
Appellant

Cross Appeal of:
JOHN W. GUILD, as Successor
Trustee,

Appellee and Cross Appellant In Proceedings Under Section 77-B Number 58334

In Proceedings Under Section 77-B Number 58335

NOTICE OF APPEAL

To:

Mr. C. W. Mulfinger, 33 North La Salle Street Chicago, Illinois Attorney for Stacy C. Mosser, Successor Trustee herein.

Mr. Irving Herriott, 120 South La Salle Street Chicago, Illinois Mr. Urban A. Lavery, 33 South Clark Street Chicago, Illinois Attorneys for Paul E. Darrow, Former Trustee herein.

Messrs. Thomas B. Hart and John I. Mayer. 105 West Adams Street Chicago, Illinois Attorneys for the Securities and Exchange Commission.

Securities and Exchange Commission 105 West Adams Street Chicago, Illinois

Notice Is Hereby Given that:

John W. Guild, Successor Trustee under the Trust Indenture dated October 1, 1929 issued by the Federal Facilities Realty Trust, the Debtor herein, by way of cross appeal from the appeal filed herein by Paul E. Darrow, former Trustee herein, appeals to the United States Circuit Court of Appeals for the Seventh Circuit, from that certain "Memorandum and Order" entered herein by

685 the Honorable William J. Campbell on April 12, 1949

which said "Memorandum and Order" deals with the final reports and accounts, and supplements thereof, of Paul E. Darrow, the former Trustee herein, and the objections filed thereto on behalf of Stacy C. Mosser, the Successor Trustee herein, John W. Guild, Successor Trustee under the Trust Indenture issued by the Debtor, dated October 1, 1929; and the Securities and Exchange Commission, and the report of Special Master Archie H. Cohen upon said Trustee's final reports and accounts and the aforesaid objections thereto.

This Cross Appeal is directed to the following matters: 1. That part of the "Memorandum and Order" which in any way concerns the purchase of assets of Jacob Kulp And Company by the employee or em-

ployees of Paul E. Darrow, as Trustee.

2. That part of the "Memorandum and Order" which in any way concerns the securities purchased by the employee or employees of Paul E. Darrow, as

Trustee, in the Seligman v. Kulp case, and designated as Lot 2.

3. That part of the "Memorandum and Order" which in any way concerns commissions or discounts paid to certain employees of Paul E. Darrow, as Trustee, on account of insurance purchased by said Trustee, or by certain of the subsidiary Corporations of the Debtors, under the supervision and control of said Trustee, and particularly concerning insurance commissions paid to Jacob Kulp, an employee of said Trustee.

The foregoing Notice of Appeal is respectfully sub-

John W. Guild, as Successor Trustee under that certain Trust Indenture issued by Federal Facilities Realty Trust, the Debtor, on October 1, 1929.

By Jacob B. Courshon
Jacob B. Courshon
231 South La Salle Street,
Chicago 4, Illinois

Attorney for John W. Guild, as Appellee and Cross Appellant

Dated at Chicago, Illinois, May 11th, 1949.

(Attached Hereto Is The Following Certificate):

686 United States of America Northern District of Illinois ss.

CERTIFICATE OF MAILING

I, Roy H. Johnson, Clerk of the United States District Court in and for the Northern District of Illinois, do hereby certify that on May 11, 1949, in accordance with Rule 73 (b) of the Federal Rules of Civil Procedure a copy of the foregoing Notice of Appeal was mailed to

Mr. C. W. Mulfinger 33 N. La Salle St. Chicago, Illinois

Mr. Irving Herriott 120 South La Salle St. Chicago, Illinois Mr. Urvan A. Lavery 33 S. Clark St. Chicago, Illinois

Messrs. Thomas B. Hart John I. Mayer 105 W. Adams St. Chicago, Illinois

Securities & Exchange Commission 105 W. Adams St. Chicago, Illinois

In Testimony Whereof, I have hereunto subscribed my name and affixed the seal of the aforesaid Court at Chicago, this 11th day of May, A. D., 1949.

Seal

Roy H. Johnson

Clerk

By Gizella Butcher Deputy Clerk

And afterwards on, to wit, the 24th day of May, 1949 came the Successor Trustee, John W. Guild by his attorneys and filed in the Clerk's office of said Court his certain Statement Of Points Relied Upon in words and figures following, to wit:

688

IN THE DISTRICT COURT OF THE UNITED STATES
For the Northern District of Illinois
Eastern Division

- (Caption-No. 58334) •
- (Caption—No. 58335) •

STATEMENT OF POINTS RELIED UPON BY JOHN W. GUILD AS SUCCESSOR TRUSTEE, APPELLEE AND CROSS APPELLANT UNDER C.C.A. RULE 9 (1)

Now comes John W. Guild, as Successor Trustee, Appellant and Cross Appellant, by Jacob B. Courshon, his Attorney, and in compliance with Rule 9 of the Rules of the United States Circuit Court of Appeals, files herewith with the Clerk of the District Court of the United States, For The Northern District of Illinois, Eastern

Division, for inclusion on the record of appeals, the following concise statement of the points upon which said

Cross Appellant relies.

Point 1. The District Court erred in over-ruling the objections of this Cross Appellant to the report and recommendations of Special Master Archie H. Cohen insofar as his report and recommendations dealt with the purchase by the employee or employees of Paul E. Darrow, the then Trustee of the Debtor, of assets of Jacob Kulp And Company from the Trustee in the bankruptcy proceedings of Jacob Kulp And Company.

Point 2. The District Court erred in over-ruling the objections of this Cross Appellant to the report and recommendations of Special Master Archie H. Cohen insofar as his report and recommendations dealt with the securities purchased by the employee or employees of Paul E. Darrow, the then Trustee herein, in the Seligman

v. Kulp case.

the objections of this Cross Appellant to the report and recommendations of Special Master Archie H. Cohen insofar as his report and recommendations dealt with the commissions or discounts paid to certain employees of Paul E. Darrow, as Trustee, on account of insurance purchased by said Trustee or by certain of the subsidiary corporations of the Debtor under the supervision and control of said Trustee, and particularly insurance commissions paid to Jacob Kulp, an employee of said Trustee.

Respectfully submitted,
John W. Guild, as Successor Trustee under
the Trust Indenture dated October 1, 1929,
issued by Federal Facilities Realty Trust,
the Debtor herein.

By Jacob B. Courshon.

Dated: May 24, 1949

Proof of Service of the Foregoing Statement of Points

State of Illinois & ss County of Cook & ss

Mildred Gordon, being duly sworn and under oath deposes and says that she is the Secretary to Jacob B. Courshon, the Attorney for John W. Guild, Successor Trustee, Appellee and Cross Appellant in the proceedings named in the foregoing Statement; and that at the direction of said Jacob B. Courshon she served a copy of the foregoing Statement on each of the following persons, being all of the Attorneys of Record concerned with this Appeal: Messrs. Deming, Jarrett and Mulfinger, 33 North LaSalle Street, Chicago, Illinois, Attorneys for Stacy C. Mosser, Successor Trustee herein, Messrs. Thomas B. Hart, J. Kirk Windle and John I. Mayer, 105 West Adams Street, Chicago, Illinois, Attorneys for Securities and Exchange Commission; Urban A. Lavery, 33 South Clark Street, Chicago, Illinois and Irving Herriott, 120 South LaSalle Street, Chicago Illinois, Attorneys for Paul E. Darrow, Appellant.

Affiant further states that she served such copies by enclosing a copy thereof in envelopes addressed to each of the above named parties at the addresses given above and deposited same with the requisite postage thereto attached in the United States Mail Box at 231 South La-Salle Street, Chicago, Illinois, on Tuesday, May 24, 1949,

at 4:00 o'clock p.m.

Mildred Gordon

Subscribed and sworn to before me, a Notary Public, this 24th day of May, 1949.

Pearl Kushner

Notary Public in and for the State and County aforesaid.

My Commission expires: 11-14-'51.

690 And afterwards on, to wit, the 18th day of May, 1949 came the Appellee, Stacy C. Mosser, Successor Trustee by his attorneys and filed in the Clerk's office of said Court his certain Appearance in words and figures following, to wit:

691

IN THE DISTRICT COURT OF THE UNITED STATES
For the Northern District of Illinois
Eastern Division

- (Caption-No. 58335)
- • (Caption-No. 58334) •

APPEARANCE

Pursuant to Rule I, 10 (3) of the Rules of the United States Circuit Court of Appeals for the Seventh Circuit we hereby enter our appearance for Stacy C. Mosser, Successor Trustee of National Realty Trust and Federal Facilities Realty Trust, Appellee in the above entitled appeal.

C. W. Mulfinger
J. Edgar Kelly
Attorneys for Stacy C. Mosser,
Successor Trustee, Appellee.

Attorneys' address— 33 N. LaSalle Street, Chicago 2, Illinois. 692 And on the same day, to wit, the 20th day of May, 1949 came the Parties by their attorneys and filed in the Clerk's office of said Court their certain Stipulation As To Consolidated Record On Appeal in words and figures following, to wit:

693

IN THE DISTRICT COURT OF THE UNITED STATES For the Northern District of Illinois Eastern Division

• • (Caption-No. 58335) • •

STIPULATION AS TO CONSOLIDATED RECORD ON APPEAL.

I. This Stipulation is entered into by the following named parties by their respective Counsel:

(a) Stacy C. Mosser, Successor Trustee herein, one of the Appellees, by his attorney C. W. Mul-

(b) John W. Guild, Successor Trustee under a Trust Indenture herein, one of the Appellees, by Jacob B. Courshon, his attorney.

(c) Securities and Exchange Commission, one of the Appellees, by Thomas B. Hart, J. Kirk Windle

and John I. Mayer, its attorneys.

(d) Paul E. Darrow, Former Trustee herein, Appellant, by Urban A. Lavery and Irving Herriott, his attorneys.

And the aforementioned parties hereby agree and stipu-

II. The Record in the District Court, on the Appeal of Paul E. Darrow as Appellant (as well as on the Appeal of any Cross-Appellant herein), may be made up for certification by the Clerk of the District Court for purposes of Appeal to the United States Court of Appeals for the Seventh Circuit, by and under this Stipulation rather than under a specified "Designation of Record"; this

Stipulation being entered into by the parties hereto 694 in accordance with paragraph "(f) Stipulation as to Record" of Rule 75 of the Federal Rules of Civil Pro-

cedure. And it is accordingly stipulated that the said Record on Appeal shall include the following particular items:

1. Copies of Darrow's Final Reports and Accounts with Supplements thereto, including Darrow's requests for additional compensation in each of the above Proceedings; and certain Affidavits of Paul E. Darrow in connection with his said Final Reports and Accounts.

2. Copies of Objections to Darrow's Reports and Accounts just mentioned, filed on behalf of (a) Stacey C. Mosser, as Successor Trustee herein, (b) John W. Guild, Successor Trustee under a Trust Indenture herein, and (c) the Securities and Exchange Com-

mission.

3. Copy of Order of Reference to Master Archie H.

4. Copy of Master's Report.

5. Copy of Transcript of testimony before the Master, including all Exhibits, it being stipulated that one copy of such Transcript of testimony only may be filed with the District Court Clerk and certified by him. For purposes of convenience of the parties and their Counsel a copy of the 'Abstract of Record' submitted to the trial court, in connection with the Hearing before Master Archie H. Cohen, prepared by the attorneys for the Securities and Exchange Commission, may also be included in the Record on Appeal.

6. Copy of a certain "Stipulation" entered into May 28, 1947, between counsel for the parties appearing before Master Archie H. Cohen, the Stipulation concerning the testimony of one Joseph Baumann and certain "Letters and documents" referred to in the testimony of the said Baumann and enumerated in the said stipulation, together with the Exhibits at-

tached to the said Stipulation.

7. Copies of Objections to the Master's Report on the part of (a) Mosser, (b) Guild, (c) the Securities and Exchange Commission and (d) Darrow.

8. Copy of the trial Judge's "Memorandum and Order" of April 12, 1949, from which the Appeal by

Darrow is hereby taken.

9. Copy of Notice of Appeal and Appeal Bond, it being stipulated that one copy of such Notice and one copy of such Bond is sufficient for this Record.

10. Copy of Consolidation Order of May 2, 1949, directing that one Consolidated Record may be made up and certified by the District Court for the purpose of Appeal on behalf of Darrow or any Cross-Appellant.

695 11. "Statement of Points" under Rule 75 on behalf of Darrow as Appellant; and any further "Statement

of Points" on behalf of any Cross-Appellant.

12. Copy of Notice of Cross-Appeal filed by John

W. Guild, by his attorney Jacob B. Courshon.

The foregoing Stipulation is hereby witnessed by the signatures of the respective counsel of the parties hereto as set out below.

Stacy C. Mosser, Successor Trustee herein, one of the Appellees

By C. W. Mulfinger

C. W. Mulfinger, his attorney

John W. Guild, Successor Trustee under a Trust Indenture herein, one of the Appellees

By Jacob B. Courshon

Jacob B. Courshon, his attorney

Securities and Exchange Commission, one of the Appellees

By Thomas B. Hart Thomas B. Hart

J. Kirk Windle J. Kirk Windle

John I. Mayer John I. Mayer

Its Attorneys

Paul E. Darrow, Former Trustee herein,

Appellant
By Urban A. Lavery
Urban A. Lavery
Irving Herriott
Irving Herriott

His Attorneys.

Dated: May 17, 1949.

And afterwards on, to wit, the 3rd day of June, 1949, came the Appellant, Paul E. Darrow, by his attorneys and filed in the Clerk's office of said Court his certain Notice Of Motion And Motion For Extension Of Time To Certify Record in words and figures following, to wit:

697

For the Northern District of Illinois Leastern Division

• (Caption—No. 58335)

NOTICE OF MOTION

To: Mr. C. W. Mulfinger
33 North LaSalle Street
Chicago, Illinois
Attorney for Stacy C. Mosser,
Successor Trustee herein.

Mr. Jacob B. Courshon
231 South LaSalle Street
Chicago, Illinois
Attorney for John W. Guild
Successor Trustee under a Trust
Indenture.

Messrs. Thomas B. Hart, G. Gale Roberson and John I. Mayer, 105 West Adams Street Chicago, Illinois Attorneys for the Securities and Exchange Commission

Please Take Notice That on Friday, June 3, 1949 at 10:00 o'clock A. M., or as soon thereafter as the matter may be heard, we shall appear before His Honor, Judge William J. Campbell, one of the judges of the above entitled Court, in the room usually occupied by him as a courtroom in the Old Post Office Building in Chicago, Illinois, or before such other judge as may be hearing his matters at the time above mentioned, and we shall thereupon present to the Court a motion for additional time for filing and docketing the record on appeal in the above

matters in the United States Court of Appeals for the 698 Seventh Circuit in Chicago; and shall thereupon ask the Court to enter an order in compliance with the said Motion, copies of this Notice, the said Motion, the affidavit in support thereof, and of a proposed draft order of such extension being herewith served upon you.

At which place and time you may appear, if you are

fit.

Urban A. Lavery
Irving Herriott
Paul E. Darrow, Appellant
By Urban A. Lavery and
Irving Herriott, his attorneys

Dated: June 2, 1949

Received a copy of the above Notice, together with the Motion, affidavit and Draft Order mentioned therein, this 2nd day of June, A. D. 1949.

C. W. Mulfinger

Attorney for Stacy C. Mosser, Successor Trustee herein

Jacob B. Courshon

Attorney for John W. Guild, Successor Trustee under a Trust Indenture

Securities & Exchange Commission Per John B. O'Connor

Attorneys for Securities and Exchange Commission

699

IN THE DISTRICT COURT OF THE UNITED STATES
For the Northern District of Illinois
Eastern Division

- (Caption—No. 58334)
- (Caption-No. 58335)

MOTION FOR EXTENSION OF TIME TO CERTIFY RECORD.

Comes now Paul E. Darrow, the above named appellant, by Urban A. Lavery and Irving Herriott, his attorneys, and moves the Court for an extension of thirty (30) days' time beyond Tuesday, June 7, 1949 and until, to-wit:

the 7th day of July, 1949 within which to file the record in the Appellate Court and docket this appeal therein in the above consolidated cases; such Motion and request for additional time being in accordance with Rule 73(g) of the Rules of Civil Procedure for District Courts of the United States.

And in support of the said Motion there is attached hereto the affidavit of Urban A. Lavery, one of the coun-

sel of record herein.

Respectfully submitted,
Paul E. Darrow, Appellant,
By Urban A. Lavery
Irving Herriott

His Attorneys

Dated: June 1, 1949

State of Illinois } County of Cook } ss.

Urban A. Lavery, being first duly sworn, deposes and says that he is one of the attorneys of record for the 700 above mentioned Paul E. Darrow, appellant in the above captioned matter, and is duly authorized to make this affidavit in support of the foregoing Motion for Extension of Time; and in that behalf affiant states

(1) This appead is a consolidation of two appeals; and this Motion comes within the purview of the provisions of Rule 73 of the Rules of Civil Procedure for District Courts of the United States, subparagraph (g), concerning the allowance by the District Court of additional time for filing and docketing of appeals where application therefor is made within the forty (40) days' time fixed by said paragraph (g) of said Rule 73;

(2) That the consolidation of the appeals in the two cases in this matter is complicated and somewhat involved and therefore takes a substantially greater amount of time and attention than would the perfecting of the record in the case of a single appeal:

(3) That the gathering together and comparison of the copies of the numerous records required for the certified record herein with the originals in each case is a laborious and extensive task for the Clerk of this Court:

(4) That the office of the Clerk has notified this affiant as one of the attorneys herein that while all of the papers and documents were furnished to the Clerk's office by counsel for appellant on or before the 25th day of May, 1949, the physical task of making such comparison of the copies of the records with the originals thereof is so laborious that the thirty (30) days' time requested in the foregoing Motion is a reasonable time within which the record can be compared and certified by the Clerk of this Court;

(5) Affiant shows that the Notice of Appeal in the above matter was filed in this Court in April 28, 1949 and that the usual forty (40) days' time under the rule for filing and docketing the record in the United States Court of Appeals will not expire until Tues-

day, June 7, 1949. Further Affiant Saith Not.

Urban A. Lavery

Subscribed and Sworn to before me this 1st day of June, A. D. 1949.

Jane Hutchings Notary Public

(Seal)

June, 1949 being one of the days of the regular May term of said Court, in the record of proceedings thereof, in said entitled cause, before the Honorable William J. Campbell, District Judge, appears the following entry, to wit:

702

IN THE DISTRICT COURT OF THE UNITED STATES
For the Northern District of Illinois
Eastern Division

- • (Caption-No. 58334)
- • (Caption—No. 58335)

ORDER EXTENDING TIME FOR FILING RECORD ON APPEAL.

This matter coming on to be heard on the motion of Paul E. Darrow, appellant, for additional time to and including the 7th day of July, 1949, within which to file the record on appeal in the above entitled matter with and docket the appeal with the United States Court of

Appeals for the Seventh District.

And due notice of the hearing of said Motion having been given to all parties entitled to such notice; and the Court having duly considered the said Motion and heard arguments of counsel therein; and the said Motion being supported by affidavit informing the Court as to certain facts and circumstances supporting the extension of time for such filing and docketing.

Now It Is Therefore Ordered That the time within which the appellant, Paul E. Darrow, and likewise any cross-appellant herein, shall file the record on appeal in the above entitled matter with and docket all appeals herein with the Appellate Court, to-wit: the United States Court of Appeals for the Seventh Circuit, shall be and it is hereby extended to and including July 7, 1949.

Enter:

Campbell

Judge

Dated: June 3, 1949

703 And afterwards on, to wit, the 1st day of July, 1949 came the Appellant by his attorneys and filed in the Clerk's office of said Court his certain Notice Of Motion And Motions (2) in words and figures following, to wit:

704

For the Northern District of Illinois
Eastern Division

- (Caption No. 58334)
- (Caption-No. 58335)

NOTICE OF MOTION.

To: Mr. C. W. Mulfinger
33 North LaSalle Street
Chicago, Illinois
Attorney for Stacy C. Mosser,
Successor Trustee herein.

Mr. Jacob B. Courshon
231 South LaSalle Street
Chicago, Illinois
Attorney for John W. Guild,
Successor Trustee under a Trust
Indenture.

Messrs. Thomas B. Hart, G. Gale Roberson and John I. Mayer,
105 West Adams Street
Chicago, Illinois
Attorneys for the Securities and
Exchange Commission.

Please Take Notice That on Friday, the 1st day of July, 1949, at the opening of court in the forenoon, or as soon thereafter as this matter may be heard, we shall appear before His Honor, Judge Walter J. La Buy, one of the judges of the above entitled court, in the room usually occupied by him as a courtroom in the Federal Building in Chicago, Illinois, or before such other judge as may be hearing his matters at the time above mentioned, and shall present a motion in regard to a stipulation pertaining to record on appeal in the above entitled cause, and ask the court to enter an order in accordance with said motion. Copies of this notice, the said motion and proposed draft order in accordance with said motion, are herewith served upon you.

705 At which time and place you may appear, if you

see fit.

Paul E. Darrow, Appellant By Urban A. Lavery Urban A. Lavery Irving Herriott Irving Herriott

His Attorneys.

Dated: June 30, 1949

Received a copy of the above notice, together with the copies of motion and proposed draft order mentioned therein, this 30th day of June, A. D. 1949.

Deming, Jarrett & Mulfinger
Attorney for Stacy C. Mosser,
Successor Trustee herein.

Jacob B. Courshon
Attorney for John W. Guild,
Successor Trustee under a Trust
Indenture.

Thomas B. Hart J. Kirk Windle John I. Mayer

Attorneys for Securities and Exchange Commission.

706

TW THE DISTRICT COURT OF THE UNITED STATES
For the Northern District of Illinois
Eastern Division

- * (Caption-No. 58334) .
- (Caption-No. 58335) •

MOTION.

Comes now Paul E. Darrow, appellant herein, by Urban A. Lavery and Irving Herriott, his attorneys, and moves the court for an order (1) approving a stipulation of the parties in regard to the record on appeal in the above entitled cause, and (2) authorizing and directing the Clerk of this Court to proceed in accordance with said stipulation.

Respectfully submitted,
Paul E. Darrow, Appellant,
Urban A. Lavery
By Irving Herriott
His Attorneys.

710 And on to-wit, the same day the 1st day of July 1949 came the parties by their attorneys and filed in the Clerk's office of said Court their certain Stipulation and Stipulation in Regard to Record on Appeal in words and figures following, to wit:

711 STIPULATION IN REGARD TO RECORD ON APPEAL

It is hereby stipulated and agreed by and between the Securities and Exchange Commission, Stacy C. Mosser, Successor Trustee herein, John W. Guild, Successor Trustee under Indenture of Mortgage, and Paul E. Darrow. Former Trustee, the parties hereto, by their respec-

tive attorneys of record, as follows:

1. That the following are true copies of the hereinafter described exhibits, Objections in connection with the hearings before Special Master Archie H. Cohen on the Final Reports and Accounts and Supplements of Paul E. Darrow, Stipulation and documents referred to in paragraph IV of said Stipulation, to-wit:

(a) Exhibits 3 of April 10, 1946, 3a of April 10, 1946, 3b of April 10, 1946 and 3c of April 10, 1946 of Stacy

C. Mosser, Successor Trustee herein.

(b) Exhibits 2, 2a and 4 of Paul E. Darrow, Former Trustee.

(c) Exhibit I as of November 1, 1946 of John W. Guild, Successor Trustee under Indenture of Mort-

gage.

(d) Objections of John W. Guild as Successor Trustee under Indenture of Mortgage dated October 1, 1929, issued by the Debtor, Federal Facilities Realty Trust, to the Final Report and Account as supplemented of

Paul E. Darrow, Trustee.

(e) Stipulation by and between the above parties, by their respective attorneys of record, that Joseph Baumann received through the United States mail certain documents, that Joseph Baumann wrote and forwarded by United States mail to Myrtle Johnson certain letters, of which copies were produced by the said Joseph Baumann, that Joseph Baumann produced certain documents and that copies of certain documents enumerated in said Stipulation are attached to the Stipulation and shall be received in evidence, subject to the approval of the Court and subject to objections on the grounds of relevancy and materiality.

(f) Copies of documents referred to in paragraph IV of the aforesaid Stipulation described in paragraph

1(d) of the present Stipulation.

2. That the Clerk of the District Court of the United States for the Northern District of Illinois, Eastern Division, is hereby authorized and directed to treat and regard such copies as originals in compiling and preparing the record on appeal of Paul E. Darrow in this cause to the United States Court of Appeals for the Seventh Circuit and on any cross-appeal in this cause to the said United States Court of Appeals for the Seventh Circuit.

713 COPY OF EXHIBIT 3 OF APRIL 10, 1946 OF STACY C. MOSSER, SUCCESSOR TRUSTEE

ber & Company, a corporation, of Chicago, Illinois, in consideration of Ten (\$10.00) Dollars and other valuable consideration to it in hand paid, hereby sells, assigns, transfers and conveys to Myrtle Johnson all its right, title and interest in and to certain accounts receivable, more fully described in Exhibit "A" attached hereto and made a part hereof, these accounts receivable being part of the same accounts receivable transferred to Michael Tauber & Company by Maurice Klein, as Trustee in bankruptcy of Jacob Kulp & Co.

Dated at Chicago, this 5th day of November, A. D. 1936.

Michael Tauber & Company,

715 COPY OF EXHIBIT 3a OF APRIL 10, 1946 OF STACY C. MOSSER, SUCCESSOR TRUSTEE

716 EXHIBIT "A"

Park View Manor Building Corporation First Mortgage bond No. 751, \$100, due 6/1/38, December 1, 1933 and subsequent interest coupons attached.

United States Government Parcel Post & Service Station First Mortgage bond No. 115, \$100, due 7/1/42, January 1,

1935 and subsequent interest coupons attached.

Windsor Shore Building Corporation First Mortgage Income Bonds Nos. 2, 3 and 4 for \$500 each, dated January 1, 1934 and due January 1, 1944, together with Power of Attorney to transfer bonds executed by Myrtle Johnson. Federal Facilities Realty Trust coupons \$474.50.

(s) Rec'd Melvin Goldman 11/5/36 (except coupons)

717 COPY OF EXHIBIT 3b OF APRIL 10, 1946 OF STACY C. MOSSER, SUCCESSOR TRUSTEE

718

(s) Received
Melvin Goldman
11/5/36

EXHIBIT "A"

ACCOUNTS RECEIVABLE

Federal Facilities Realty Trust, 100 W. Monroe	
St Chicago 8	14,153.18
St., Chicago	
Chicago	48,373.39
Chicago	0 141 67
Crandon Shore Building Corp., 100 W. Monroe	3,141.67
St Chicago	9,024.19
St., Chicago	
Chicago	30,529.68
Ferry Station Post Office, Inc., 100 W. Monroe	
St., Chicago	34,864.21
Grand Rapids Parcel Post Blug. Corp., 100 W.	3,463.87
Irving Park Post Office Bldg. Corp., 100 W.	0,200.01
Monroe St. Chicago	4,472.86
La Grange Post Office Bldg. Corp., 100 W. Mon-	
Pho Nt (!hingmo	4,327.97
National Realty Trust for account of Los An-	2,175.04
geles property, 100 W. Monroe St., Chicago.	2,110.01
McKinley Park Station Bldg. Corp., 100 W. Mon- roe St., Chicago	6,658.09
North Halsted Post Office Bldg. Corp., 100 W.	
Monroe St Chicago	3,856.45
Park View Manor Bldg. Corp., 100 W. Monroe	1 507 11
St., Chicago	1,507.11
roe St., Chicago	5,888.76
ndres 📞 nak disembalik di Rusia Rusia na naka naka naka naka na naka naka n	Marie Control
Total\$	172,436.47
BONDS	975 3
2-\$500.00 United States Parcel Post Bldg. Co. 61/4	%

Kraus Bros. Loewy Co. 64% First Mortgage Gold Bonds, Nos. 31, 69, 70, 71, 72, 73, 77, 89, 98, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 148, 149 and 150, each for \$100.00; Nos. 152, 169, 171, 177, 178, 179, 180, 181, 187, 188, 190, 191, 194 and 234 each for \$500.00 and Nos. 261 and 262 each for \$1,000.00 all bonds having Octiber 15, 1930 and subsequent coupons attached

635.00

719 COPY OF EXHIBIT 3c OF APRIL 10, 1946 OF STACY C. MOSSER, SUCCESSOR TRUSTEE

The Triple of The Triple of Triple o

5 Shares United Founders Corp. Common Stock Ctf. No. C0169978 issued in name of Miss Martha Van Malotke,

dated May 19, 1930.

40 Shares Prince & Whitely Trading Corp. Common Stock, Ctfs. Nos. 8750, 8749, 8748, and 8747, all dated May

15, 1930, issued in the name of Lee H. Kulp.

26 Shares of Missouri-Kansas Pipe Line Common Stock Ctf. No. C057947 dated Oct. 16, 1930 and Ctf. No. C064345 dated Nov. 24, 1930, issued in the name of Lee H. Kulp.

88/400ths share of Middle West Utilities Company Common Stock Scrip, Ctf. No. CA736641 dated Feb. 15, 1932.

2200 shares of Railroad Shares Corp. Common Stock, Ctfs. Nos. 1914, 1913, 1912, 1911, 1910, 1909, 1908, 1907, 1906, 1905, 1904, all dated March 27, 1930, issued in name of Lee H. Kulp.

33/40ths shares of Missouri-Kansas Pipe Line Co., Scrip, Ctf. Nos. 77650, 67866 and 6057 and 10/800 shares Ctf. of

Serip, Nos. 9156 and 18155.

Demand note date 10/5/33 for \$10 signed by Andru Fortini.

30 day note dated 4/9/30 for \$50 signed by Hugo D. Loeb. Demand note dated 4/11/28 for \$300 signed by Hugo D. Loeb.

Demand note dated 8/3/33 for \$50 signed by Dr. Mary Connor.

Demand note dated 9/12/33 for \$50 signed by Dr. Mary Connor, secured by Trust Receipt for 210 shares Federal Facilities Realty Trust.

Demand note dated 11/16/33 for \$20 signed by Miss Wanda Netzler, secured by 190 shares Federal Facilities Real-

ty Trust Ctf. No. 91, attached to said note.
Grand Rapids Parcel Post Building Corporation, 2nd
Mtge. coupons \$1,202.50.

(s) Rec'd Melvin Goldman 11/5/36 (except coupons)

Paul E. Darrow, Chairman 1st Nat'l Bank Collateral bonds bot thru Colonial Securities Co. ssued

11- 6-36 To Col. Sec. Co.	2,555.00
12- 4-36	2,750.00
12-31-36	2,960.00
2- 4-37	1,935.00
3- 5-37	1,800.00
	19 000 00

Bonds received-prices set by Mr. Darrow

			1	Disposition	Price	
1,000.00	Armour	1st Mtge.	OFO OO		250.00	11/ 9/36 8 3
1,000.00	6929 N. Clark St.	1st Mtge.	250.00	Co.	250.00	11/10/36
3,000.00	Division & Lavergne	1st Mtge.	1,650.00		1,650.00	12/4/3650
3,500.00	Parkview Manor	1st Mtge.	875.00	Co.	875.00	12/ 4/36 7
3,500.00	U. S. Bldg. Corp.	2nd Mtge.	350.00	Fed. Fac.	350.00	12/ 4/36 17
2,000.00	Villa Bldg. Corp.	1st Mtge.	200.00		200.00	12/ 4/36 =
1,500.00	22nd St.	1st Mtge.		Co. 171-23		12/28/36
4,000.00	Austin	1st Mtge.		Nat'l Tr.	2,040.00	10 /01 /00
3,000.00	Division & Lavergne	1st Mtge.	1,650.00		1,650.00	3/5/37
3,500.00	Austin	1st Mtge.		Retained	-,000.00	J, J, E
4,000.00	Division & Lavergne	9 1st Mtge.	2,200.00			
3,000.00	Ogden Park	1st Mtge.	300.00			BROW
33,000			12,000.00			WO

84,000.00 Fed. Fac. received considered as no cost.



727 COPY OF EXHIBIT I AS OF NOVEMBER 1, 1946 OF JOHN W. GUILD, SUCCESSOR TRUSTEE UN-DER INDENTURE OF MORTGAGE

728 John W. Guild, as Trustee,

October 7, 1946

EXHIBIT I

As of November 1, 1946-

Admitted:

SECURITIES PURCHASED BY MYRTLE JOHNSON OF FEDERAL FACILITIES REALTY TRUST AND NATIONAL REALTY TRUST AND STILL HELD BY HER BETWEEN JUNE, 1935 AND AUGUST, 1943.

Federal Facilities Real	ty Trust	Stock:	
6		Purchased from	Cost
4/16/37 Bought 150	Shares	Nickelson & Co.	\$40.50
8/28/37 Bought 100	Shares	Weinress & Co.	30.00
7/ 6/38 Bought 260	Shares	Gerstenberg & Co.	65.00
5/25/40 Bought 300	Shares	Weinress & Co.	15.00
2/24/43 Bought 2771/2	Shares	Caswell & Co.	50.00
National Realty Trust	Stock:		
5/25/40 Bought 821/2	Shares	Kneeland & Co.	\$ 41.26
11/25/40 Bought 8-2/5	THE RESERVE OF THE PARTY OF THE	Kneeland & Co.	5.00
12/ 3/40 Bought 437	Shares	Kneeland & Co.	218.50
	Shares	Caswell & Co.	10.50
6/22/42 Bought 21 2/25/43 Bought 104½	Shares	Caswell & Co.	110.00
and the state of t	St. Th. Sales Back		

729 Copy of Objections of John W. Guild as Successor Trustee under Indenture of Mortgage dated October 1, 1929, issued by the debtor, Federal Facilities Realty Trust, to the final report and account as supplemented of Paul E. Darrow, Trustee.

730

IN THE UNITED STATES DISTRICT COURT For the Northern District of Illinois Eastern Division

· Caption-No. 58334 · •

OBJECTIONS OF JOHN W. GUILD, AS SUCCESSOR-TRUSTEE UNDER INDENTURE OF MORTGAGE DATED OCTOBER 1, 1929, ISSUED BY THE DEBT-OR, TO THE FINAL REPORT AND ACCOUNT, AS SUPPLEMENTED, OF PAUL E. DARROW, TRUS-TEE.

Now comes John W. Guild, successor-trustee under that certain indenture dated October 1, 1929, issued by the Federal Facilities Realty Trust, Debtor herein, as security for its Collateral Trust Gold Bonds Series "A" 6½%, maturing October 1, 1939, and objects to the final report and account of Paul E. Darrow, Trustee, filed herein on October 15, 1943, and as supplemented by schedules filed on February 11, 1944, covering the period from April 25, 1935 to and including August 13, 1943, upon the following grounds:

1. That said Paul E. Darrow, Trustee, has failed in said report as supplemented to account for interest earned or accrued for several years on bonds held by said Trustee, issued by certain subsidiaries of said Federal Facilities Realty Trust, and the failure to account for such interest

earned or accrued is unexplained.

2. That the record herein, including said report as supplemented, discloses that said Paul E. Darrow, as Trustee, has from time to time made unauthorized loans of trust funds, some of which have not as yet been repaid.

731 3. That said report as supplemented fails to fully explain certain expenditures and fails to account for and properly explain the wiping out or relinquishment of certain accounts receivable due to the Debtor, and certain accounts receivable due to the subsidiaries of the Debtor.

4. That said Paul E. Darrow, as Trustee, has retained in his employ, on a salary basis, Jacob Kulp and Myrtle Johnson, who, the record discloses, have operated a security business in the same suite of offices with said Paul E. Darrow, as Trustee, during the period covered by said report as supplemented, and that said Jacob Kulp and Myrtle Johnson, through the operations of an alleged security business, have purchased and sold securities of the subsidiaries of the Debtor, utilizing information gained by them as employees of said Paul E. Darrow, as Trustee, and in violation of the fiduciary relationship which they, as such employees of said Trustee, occupied and the said Jacob Kulp and Myrtle Johnson have realized substantial profits by and through such trading of said securities, which profits rightfully belong to the estate of the Debtor and should have been realized on behalf of the Debtor by the said Paul E. Darrow, as Trustee, and that said Paul E. Darrow, as Trustee, has failed to account for said profits: and to the extent that any such compensation has been paid to any of said parties, same should be ordered repaid to the present Trustee, and to the extent that such repayment is not paid, that said Paul E. Darrow should be charged therefor; and that all compensation paid to said Jacob Kulp and Myrtle Johnson should be disaflowed.

5. That the record herein discloses that one Louis Goldman, an attorney representing certain parties in interest in these proceedings, became the owner and holder of certain securities issued by the Debtor, or one or more of its sub-

sidiaries; that funds of said Paul E. Darrow, as Trus732 tee, were used in connection with the acquisition by
said Goldman of said securities; that certain profits
were realized therefrom; that certain of said securities
rightfully belonging to the estate of the Debtor are still

held by said Goldman and that the said Paul E. Darrow, as Trustee, has failed to account for said profits and has failed

to reclaim said securities.

6. That heretofore, by order of this court, one Frederick B. Andrews, a certified public accountant, made a partial investigation of the affairs of said Paul E. Darrow, as Trustee, a report of which was filed herein by said Frederick B. Andrews, and which report discloses numerous sales and purchases of securities issued by the Debtor and its subsidiaries, and the report as supplemented of the said Paul

E. Darrow, as Trustee, does not agree in numerous instances with the report of purchases and sales of said securities, as disclosed by said Andrews' report, and said discrepancies are not as yet explained nor accounted for.

7. That said report as supplemented fails to give a complete accounting of all acts and transactions of said Paul E. Darrow, as Trustee, had in connection with the so-called "Paul E. Darrow, Chairman, Account". No explanation is given as to the purpose of maintaining such an account and its relationship to the administration of the estate of the Debtor, and fails to account for sundry transactions had in connection with said "Paul E. Darrow, Chairman, Account" with respect to the purchase and sale of securities of the Debtor and its subsidiaries, particularly with reference to certain payments therefrom labeled "Paid on Building Account—\$20,807.87", and fails to account for or properly explain items totalling \$12,614.08 disclosed in the

erly explain items totalling \$12,614.08 disclosed in the 733 report of the said Frederick B. Andrews as having been paid out of said "Chairman Account" to the Payroll

Account.

8. That the report filed herein by the said Frederick B. Andrews discloses numerous instances of purchases of securities issued by some of the subsidiaries of the Debtor by Paul E. Darrow, as Trustee, and a subsequent resale thereof to sundry persons, firms or corporations, all of which were improper and prejudicial to the interests of the Debtor and its creditors, and in violation of the orderly and prudent administration of the estate of the Debtor by said Paul E. Darrow, as Trustee.

9. That said Paul E. Darrow, as Trustee, has failed to show a proper accounting had with respect to the Collateral Trust Gold Bond Series "A" 6½%, maturing October 1, 1939, from the persons, firms or corporations acting as selling or distribution agents of the Debtor in connection with the sale and distribution thereof, particularly Jacob Kulp & Co., and has failed to reclaim such of said bonds for which the Debtor received no consideration.

10. That said report as supplemented fails to account for disposition of claims of the Debtor in the proceedings had in the Superior Court of Cook County, Illinois, as cause No. 35-S 11241, entitled "Seligman, et al, vs. Jacob Kulp, et al," wherein were involved certain claims and properties belonging to the Debtor's estate.

11. That because the said Paul E. Darrow, as Trustee, failed to file herein any inventory of the Debtor's estate coming into possession, and failed to file herein any interim reports of his administration of the Debtor's estate, a proper analysis of his said report as supplemented cannot be made without a detailed audit of all acts and transac-

tions, receipts and disbursements had during the ad-734 ministration of Debtor's estate by the said Paul E.

Darrow, as Trustee thereof; and because of the failure of said Paul E. Darrow to so file such inventory and interim reports, and because his final report as supplemented does not conform to the orders of this court and the provisions of the Acts of Congress relating to bankruptcy, the cost of such audit should be charged to and be paid by said Paul E. Darrow.

12. That said report as supplemented fails to disclose and account for any commissions or discounts paid to said Paul E. Darrow, or to any person, firm or corporation, for his use and benefit because or on account of insurance purchased in connection with the operation and management of the estate of the Debtor and each and every of the subsid-

iaries thereof.

13. That said report as supplemented fails to account for all fees and compensation paid to Paul E. Darrow, as Trustee, in connection with the reorganization of each and every of the subsidiaries of the Debtor; and has failed to account for sundry and other miscellaneous fees, commissions and salaries paid to said Paul E. Darrow as a director or officer of each and every of the subsidiaries of the debtor.

14. This objector hereby adopts each and every of the objections heretofore filed herein by the Securities and

Exchange Commission.

Wherefore this Objector respectfully asks that the final report and account, as supplemented, of Paul E. Darrow, as Trustee, be disapproved; that said Paul E. Darrow be disallowed any compensation herein, and that he and the surety on he bond be surcharged in such amounts as may upon a hearing be properly determined.

735 Stipulation by and between the above parties, by their respective attorneys of record, that Joseph Banmann received through the United States mail certain documents, that Joseph Baumann wrote and forwarded by United States mail to Myrtle Johnson certain letters, of which copies were produced by the said Joseph Baumann, that Joseph Baumann produced certain documents and that copies of certain documents enumerated in said stipulation are attache dto the stipulaiton and shall be received in gvidence, subject to the approval of the Court and subject to objections on the grounds of relevancy and materiality, together with copies of documents described in paragraph IV of said stipulation.

736

IN THE UNITED STATES DISTRICT COURT For the Northern District of Illinois. Eastern Division

Caption—No. 58334-58335

STIPULATION

It is hereby stipulated and agreed by and between the parties hereto, by their respective attorneys of record, in each of the above enttled causes, as follows:

I. That Joseph Baumann, who previously testified in these proceedings, has received in due course through the

U. S. Mail the following documents:

Communcatons over the name of Paul E. Darrow as president of the respective subsidiary corporations of National Realty Trust (National) or Federal Facilities Realty Trust (Federal) to which the communications relate, to wit:

1. Letter dated June 7, 1935 on Federal stationery directed to bondholders of Twenty-Second Street Sta-

tion Building Corporation.

Letter dated August 1, 1935 on Federal stationery re-

garding South Side Building Corporation. Letter dated February 15, 1936 on Federal stationery regarding Twenty-Second Street Station Building Corporation, enclosing plan of reorganization of said subsidiary.

Letter dated December 27, 1935 on National stationery regarding Postal Facilities, Inc., enclosing plan

of reorganization of said subsidiary.

5. Letter dated August 1, 1935 on National stationery regarding Rogers Park Post Office Station, enclosed with letter dated August 12, 1935 from Myrtle Johnson to Mr. Joseph Baumann.

737 6. Letter dated February 19, 1936 on Federal stationery regarding South Side Post Office Service Build-

ing Corporation.

7. Letter dated July 27, 1936 on stationery of 6929. North Clark Street Building Corporation regarding said subsidiary.

8. Letter dated December 6, 1937 on National stationery regarding Postal Facilities, Incorporated

9. Letter dated July 30, 1937 in mimeographed form, regarding 6929 North Clark Street Building Corporation.

 Letter dated December 13, 1937 on National stationery regarding Parkview Manor Building Company.

11. Letter dated June 9, 1939 on National stationery regarding Parkview Manor Building Company.

12. Letter dated November 1, 1939 on National stationery regarding 6748 Crandon Avenue Building Corporation.

13. Letter dated February 9, 1939 on National stationery regarding 6748 Crandon Avenue Building Corporation enclosing check for 1% on bonds.

14. Letter dated April 9, 1937 on National stationery regarding Austin Station Building Corporation en-

closing check.

15. Notice of annual meeting dated December 11, 1941 to stockholders of Parkview Manor Building Company, and attached income statement.

16. Letter dated November 1, 1941 regarding 6748 Crandon Avenue Building Corporation containing Statement of Income and Expenses and enclosing check

for 3% interest.

17. Letter dated July 31, 1940 regarding 6929 North Clark Street Building Corporation containing Statement of Income and Expenses and enclosing check for 2% interest.

18. Letter dated July 20, 1938 regarding Postal Facili-

ties, Incorporated.

19. Letter dated July 20, 1938 regarding 6929 North Clark Street Building Corporation.

20. Communication dated November 1, 1942 to bondholders of 6748 Crandon Avenue Building Corporation containing Statement of Income and Expenses and enclosing check for 3% interest.

21. Communication dated July 31, 1942 to bondholders of 6929 North Clark Street Building Corporation containing Statement of Income and Expenses and

enclosing check for 3% interest.

738 22. Communication dated July 31, 1941 to bondholders of 6929 North Clark Street Building Corporation containing Statement of Income and Expenses and enclosing check for 3% interest.

23. Income statement of Parkview Manor covering the period from December 1, 1938 to November 30, 1940.

24. Notice to shareholders of Parkview Manor Building Company of annual meeting to be held January 14, 1941, enclosing Statement of Income and Expenses.

25. Letter dated November 1, 1940 to bondholders of 6748 Crandon Avenue Building Corporation containing Statement of Income and Expenses and enclos-

ing check for 11/2% interest.

26. Letter dated December 22, 1938 to shareholders of Parkview Manor Building Company on the stationery of "South Shore Villa Apartments" (which is the property of Parkview Manor).

B. Communications from Myrtle Johnson to Joseph Bau-

mann, to wit:

1. Letter dated February 18, 1936 on National stationery enclosing communication to first mortgage bondbolders of Austin Station Building Corporation over name of Paul E. Darrow, president.

2. Letter by registered mail dated March 5, 1936 on National stationery, enclosing \$5400 first mortgage bonds of Austin Station Building Corporation and

check for \$81.00.

3. Letter dated December 21, 1936 on Federal stationery, enclosing \$45.00 interest on Twenty-Second

Street Station Building Corporation bond.

4. Letter dated January 3, 1938 on Federal stationery (addressed to Ann Botthof, secretary to Baumann) enclosing checks for interest due Jane Baumann and Marahlea Baumann on Parkview Manor Building Corporation bonds and Twenty-Second Street Station Building Corporation bonds.

5. Letter dated August 2, 1938 on National stationery enclosing interest checks.

 Letter dated December 20, 1937 on National stationery enclosing interest checks on four different subsidiaries.

 Letter dated August 9, 1938 on National stationery, referring to receipt of Rogers Park Post Office Station check.

8. Letter dated August 14, 1937 on National stationery addressed to first mortgage bondholders of Parkview Manor Building Corporation.

9. Letter dated August 28, 1937 on National stationery;

enclosing stock certificates.

739 10. Letter dated December 6, 1939 on Federal stationery (addressed to Ann Botthof, secretary to Baumann) enclosing interest checks.

11. Letter dated January 29, 1940 on Federal stationery (addressed to Ann Botthof, secretary to Baumann)

enclosing interest checks.

Letter dated June 8, 1942 on National stationery (addressed to Ann Botthof, secretary to Baumann) enclosing interest checks.

 Letter dated August 2, 1937 on National stationery, enclosing checks for interest on bonds of South Side

Post Office Service Building Corporation.

14. Letter dated October 31, 1936 on National stationery, enclosing check for \$81.00 distribution on Austin Sta-

tion Building Corporation bonds.

15. Letter dated December 14, 1942 on National stationery (addressed to Ann Botthof, secretary to Banmann) enclosing checks for interest on Parkview

Manor Building Company bonds.

16. Letter dated July 30, 1942 on National stationery from Myrtle Johnson, Secretary of Postal Facilities, Incorporated (addressed to Ann Botthof, secretary to Baumann), enclosing checks for interest on bonds of Station F and 6929 North Clark Street Building Corporation.

17. Letter dated July 10, 1942 on National stationery (addressed to Ann Botthof, secretary to Baumann) advising that interest checks will be mailed August

1.

18. Letter dated February 2, 1942 on National stationery (addressed to Ann Botthof, secretary to Baumann) enclosing interest checks on bonds of Station F.

19. Letter dated November 24, 1941 on Federal stationery (addressed to Ann Botthof, secretary to Baumann) acknowledging receipt of \$3000 Twenty-Second Street Station Building Corporation and Parkview Manor Building Company interest coupons.

20. Letter dated July 23, 1941 on National stationery (addressed to Ann Botthof, secretary to Baumann) enclosing interest checks on bonds of South Side Post Office Service Building Corporation and Postal Fa-

cilities, Incorporated.

21. Letter dated June 2, 1941 on Federal stationery from Myrtle Johnson, Secretary of Twenty-Second Street Station Building Corporation (addressed to Ann Botthof, secretary to Baumann) enclosing interest check for \$45.00.

22. Letter dated June 13, 1941 on National stationery from Myrtle Johnson, Secretary of Parkview Manor Building Company (addressed to Ann Botthof, secretary to Baumann), enclosing interest checks of

Parkview Manor Building Company.

740 23. Letter dated January 29, 1941 on National stationery (addressed to Ann Botthof, secretary to Baumann) enclosing interest checks of Postal Facilities, Incorporated and South Side Post Office Service Building Corporation.

24. Letter dated December 13, 1940 on National stationery (addressed to Ann Botthof, secretary to Bau-

mann) enclosing interest checks.

 Letter dated July 17, 1940 on National stationery enclosing interest checks of various subsidiaries.

26. Letter dated December 12, 1939 on National stationery (addressed to Ann Botthof, secretary to Baumann) enclosing interest checks of Parkview Manor Building Company to which is attached notice and Statement of Income and Expenses over name of Paul E. Darrow, president.

27. Letter dated June 24, 1939 on National stationery (addressed to Ann Botthof, secretary to Baumann) enclosing interest checks of Twenty-Second Street Station Building Corporation and Parkview Manor

Building Company.

28. Letter dated February 3, 1939 on National stationery (addressed to Ann Botthof, secretary to Baumann) enclosing interest checks of Postal Facilities, Incorporated and South Side Post Office Service Building Corporation.

29. Letter dated May 11, 1937 on National stationery enclosing \$2000 Ogden Park Post Office Building Corporation first mortgage bonds and check for \$40

interest.

30. Letter dated February 19, 1937 on National stationery enclosing check for interest on bonds of South Side Post Office Service Building Corporation.

31. Letter by registered mail dated August 7, 1936 on Federal stationery, enclosing \$5000 South Side Post Office Service Station Corporation bonds and checks

for interest.

32. Letter dated May 22, 1946 on the personal stationery, of Myrtle Johnson enclosing two claim forms, one in National and one in Federal. Said letter relates to accounts receivable purchased in the Jacob Kulp & Company bankruptcy proceeding.

33. Letter dated May 16, 1946 on the personal stationery of Myrtle Johnson relating to the claim of Joseph Baumann based upon an account receivable to be filed in the National reorganization proceeding.

34. Letter dated August 26, 1938 on stationery of Colonial Securities Company, enclosing check for

\$576.00.

741 35. Letter dated August 22, 1938 on stationery of Colonial Securities Company re Austin Station Building Corporation bonds, Crandon Avenue Building

Corporation bonds and refinancing.

36. Letter dated August 12, 1938 on stationery of Colonial Securities Company suggesting sale of Austin Station Building Corporation and Ogden Park Post Office Building Corporation bonds and purchase of 6748 Crandon Avenue Building Corporation bonds.

O. Communications from Jacob Kulp to Joseph Bau-

mann, to-wit:

1. Letter dated December 15, 1937 on National stationery requesting consent to plan of reorganization of Station F.

2. Letter dated August 21, 1942 on National stationery, re San Francisco property, reciting that writer re-

ceives only \$300 per month, has nothing to do with funds collected and that funds are "handled by Mr. Darrow who is appointed here by the Court."

D. Documents relating to reorganizations of certain sub-

sidiaries to wit:

1. Proof of Claim in the reorganization proceeding relating to Twenty-Second Street Station Building Corporation.

2. Plan of reorganization for Postal Facilities, Incor-

porated.

E. Notice directed to holders of securities purchased from Jacob Kulp & Company dated September 26, 1935 over the name of Paul E. Darrow, Trustee of Federal Facilities Realty Trust and Trustee of National Realty Trust. Said notice is mimeographed on Federal stationery and states that in the interest of economy the offices of the Trusts will be moved to 1807—100 West Monroe Street. Said notice invites the holders of such securities to call at the office of the Trusts for information regarding such securities.

F. Letter dated December 16, 1941 on National stationery signed by Paul E. Darrow and addressed to Ann Botthof, secretary to Joseph Baumann, enclosing checks to Jane and Marahlea Baumann for interest on Parkview Manor

Building Company bonds.

742 II. That said Joseph Baumann in New York wrote and forwarded by U. S. Mail to Myrtle Johnson in Chicago certain letters of which copies were produced by Jo-

seph Baumann, to wit:

 Copy of letter dated August 5, 1936, addressed to Myrtle Johnson, c/o Federal Facilities Realty Trust, 100 West Monroe Street, Chicago, Illinois, enclosing \$5100 South Side Post Office Service Building Corporation bonds.

 Copy of letter dated September 1, 1936, addressed to Myrtle Johnson, c/o National Realty Trust, returning receipts for Twenty-Second Street Station Building Corporation bonds and ownership certificates covering interest on South Side Post Office Service Building Corporation bonds of Marahlea Baumann and Miss Botthof.

3. Copy of letter dated August 7, 1936 addressed to Myrtle Johnson, c/o U. S. Parcel Post Building Corporation, 100 West Monroe Street, Chicago, Illinois.

promising to mail bonds of U. S. Post Office in Cleveland, stating South Side Post Office Service Building Corporation bonds had been forwarded, enclosing ownership certificates re 6929 North Clark Street Building Corporation check and adding that Twenty-Second Street Station Building Corporation bonds had been sent in 1931.

4. Copy of letter dated May 20, 1946 stating that the writer held 10,000 shares of National in five certifi-

cates 121-135.

5. Copy of letter dated December 17, 1937, stating that consents to the amended plan of reorganization for Station F were enclosed, and also enclosing interest coupons re Austin Station Building Corporation, Ogden Park Post Office Building Corporation, Parkview Manor Building Company and Twenty-Second Street Station Building Corporation.

6. Copy of letter dated August 19, 1938, addressed to Myrtle Johnson, 100 W. Monroe Street, re sale Ogden Park Post Office Building Corporation, and Austin Station Building Corporation bonds and purchase of 6748 Crandon Avenue Building Corporation

bonds.

 Copy of letter dated August 26, 1937 addressed to Myrtle Johnson, c/o National Realty Trust, 100 W. Monroe Street, Chicago, Illinois re Parkview Manor

Building Corporation.

8. Copy of letter dated December 23, 1936 addressed to Myrtle Johnson, c/o Federal Facilities Realty Trust, 100 W. Monroe Street, Chicago, Illinois re ownership certificates.

9. Copy of letter dated August 23, 1938 addressed to Miss Myrtle Johnson, c/o Colonial Securities Company, 100 W. Monroe Street, Chicago, Illinois.

743 10. Copy of letter dated August 19, 1938, addressed to Miss Myrtle Johnson, 100 W. Monroe Street, Chicago, Illinois.

 Copy of letter dated February 16, 1937, addressed to Miss Myrtle Johnson, c/o National Realty Trust, 100
 W. Monroe Street, in regard to extension coupons.

III. That Joseph Baumann produced the following documents:

1. Promissory note dated June 2, 1930, in the principal amount of \$80,000 signed "Jacob Kulp & Co. by Jacob

Kulp, pres." and personally guaranteed by Jacob

Kulp.

Receipt to Mozette Baumann dated April 26, 1930
for certain enumerated stocks and bonds signed
"Jacob Kulp" and containing agreement by Jacob
Kulp regarding the return of the securities or their
market value.

 Letter dated "Ap. 26" on stationery bearing no name but address of "33 South La Salle Street, Chicago" addressed to "Dear Bab" and signed "Uncle Jack".

4. Letter dated April 14, 1941 on stationery of Myrtle Johnson addressed to Mrs. Joseph Baumann and

signed "Myrtle".

5. Letter dated April 24, 1930 on stationery of "The Bank of United States, Member of Federal Reserve System, New York," addressed to "Mr. Jacob Kulp, c/o Jacob Kulp & Co., 33 S. La Salle Street, Chicago, Illinois," and stating that certain enumerated securities are enclosed.

6. Letter dated April 24, 1930 on stationery of "The Bank of United States, Member of Federal Reserve System, New York," addressed to "The Bank of United States, 91st St. & Broadway, New York City," and stating that certain enumerated stocks and bonds are handed to the addressee for transmission to Jacob Kulp. At the bottom of the sheet containing the letter is an acknowledgment by the addressee of receipt of the securities enumerated in the letter.

IV. That copies of documents hereinabove numbered as JA1, 5, 14, 26; IB1, 3, 34, 35, 36; IC2; IE; IF; II1, 2, 4, 8, 10; and III1, 2, 3, 4, 5, 6 are attached hereto and shall be received in evidence subject to approval of the Court and subject to objection on the grounds of relevancy, and

materiality.

744 (a) Irving Herriott

Attorney for Paul E. Darrow, Trustee

(s) Deming, Jarrett & Mulfinger

Attorney for Stacy C. Mosser, Successor Trustee

(s) Jacob B. Courshon

Attorney for John W. Guild, Indenture Trustee

(s) Thomas B. Hart, G. Gale Roberson, John J. Mayer Attorneys for Securities and Exchange Commission

745 FEDERAL FACILITIES REALTY TRUST 29 South La Salle Street Telephone, DEArborn 8666 Chicago

Chicago Post Office Service North Halsted Post Office Quincy Station Post Office Station Columbus Parcel Post Station Roseland Station Post Office Station "D" Post Office U. S. Service Station, St. Building Louis Dallas Parcel Post Station South Side Service Station Ferry Station Post Office 22nd Street Station Post Office Irving Park Post Office McKinley Park Station Villa Garage June 7, 1935.

To the Holders of First Mortgage Bonds of Twenty-Second Street Station Building Corporation, Chicago, Illinois.

Under date of May 24, I was appointed permanent Trustee of the Federal Facilities Realty Trust under Section 77B proceedings for the reorganization of the Trust filed in the District Court of the United States, Northern District of Illinois, Eastern Division, Case No. 58334. Under appointment of the United States District Court I had acted as temporary Trustee of the Trust for thirty days prior thereto.

At the time of my appointment as permanent Trustee of the Federal Facilities Realty Trust an Order was entered expressly authorizing me as such Trustee to vote the stock of all the Trust's subsidiaries, of which this corporation is one. Pursuant to that authorization and acting under the directions of the Court, new and independent Directors were elected and the new Board of Directors elected me President and Treasurer of the Twenty-Second Street Station Building Corporation.

As you know, the principal of the First Mortgage bond issue of our Corporation is in default and that no interest is being paid on said bonds. Because of this default and because of my duty as an appointee of the Court in the Federal Facilities Realty Trust proceedings, I felt that it was desirable in order to protect the interest of all parties in interest to institute voluntary proceedings under Section 77B of the Amendment to the Bankruptcy Act so that the whole matter will be under the Court's jurisdiction.

Accordingly a voluntary petition was filed in the District Court of the United States, Northern District of Illinois, Eastern Division, under date of May 25, 1935, Case Number 60070. Upon filing the petition the District Court entered an Order approving the petition as properly filed and ordering that the debtor and its present officers remain in possession and control of the corporation's business until the further Order of the Court. I am enclosing herewith Notices of hearing which will be held in this matter on June 21 with reference to the permanent administration of this property.

In checking the affairs of the Twenty-Second Street Station Building Corporation, I found that on September 21, 1934, a communication was sent you pertaining negotiations that were pending with the Government at that time for renewal of lease. Such negotiations culminated in a lease being entered into under the terms of which the Government is to continue to pay the sum of \$9,425 per annum for the period to and including November 30, 1936, and \$7,800

per annum from that date to September 30, 1944.

ments referred to in previous correspondence sent you are to be made, which involves an expenditure of approximately \$8,000. These improvements have partially been completed and are now being made, all income received being used to make payment therefor. The income for the next four months will also be required to make payment

in full for these improvements.

I might state, however, that the 1932 and 1933 taxes have been paid in full, but the 1929 and 1930 taxes, which have been protested, have an unpaid balance of approximately \$1,600 and have been placed on the six year plan, payable out of income each year until liquidated. The 1931 taxes in the sum of \$625.00 are also unpaid and have been protested. Just as soon as payment has been completed for these improvements and the taxes placed in current position, we will undoubtedly be able to accumulate funds for distribution to the bondholders under such plan of reorganization as will be approved by the Court. In the interim only necessary expenditures, including the improvements above referred to, will be paid for so that the funds of the Corporation will be conserved pending plans of reorganization, and all future distribution of any funds will be made only

upon Court Order. You can, therefore, see that your inter-

ests are fully safeguarded.

I have not as yet had an opportunity to make as careful a survey of this property as I would like to, but I felt that I wanted to inform you of my preliminary examination on sending you the attached Notice in view of the fact that you have had no report on this property for over six months.

Trusting that I shall continue to have your cooperation, I

am

Very truly yours, Paul E. Darrow, President. TwentySecond Street Station Building Corporation.

PED

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NATIONAL REALTY TRUST 29 South La Salle Street Telephone, DEArborn 8666 _ Chicago

Armour Station Post Office Austin Station Post Office Building Berwyn Post Office Crandonshire Building Division and La Vergne Post Parkview Manor Building Office Station "F" Post Office Grand Rapids Parcel Post Station

La Grange Post Office U. S. Service Station, Los Angeles Ogden Park Post Office Building Rogers Park Post Office Building Windsor Park Station Building

August 1, 1935.

To the Bondholders of Bonds secured by Rogers Park Post Office Property. 6929 North Clark Street, Chicago, Ill.

We take pleasure in handing you herewith check representing a distribution of 21/2% on the bonds you hold of our Corporation, which covers the earnings for the period May 1, 1934 to April 30, 1935.

You will note that during this period a total of \$5,003.15 was paid for real estate taxes and we call your particular

attention to the payment of \$976.99, being first half of the 1933 taxes. Our reason for calling your attention to this item is to point out that the taxes on this property we have been successful in having reduced to approximately \$2,000 annually. This, of course, represents a substantial saving to the Corporation and if the earnings for the period from May 1, 1935 to April 30, 1936 continue at the same rate as we are now receiving we will undoubtedly be able to make a 3% distribution for the ensuing fiscal year, as all taxes are in current position with the exception of a protested balance on the 1930 taxes of approximately \$1,550, which will be paid as soon as the protest has been disposed of.

The following statement of income and expenses for the fiscal year ending April 30, we believe will evidence that the property has been operated with a minimum of expenses which enables the distribution of 2½% to be made at this

time. Income:

Rent—Post Office Rents—Apartments Refund from Chicago Title & Trust Co. from	\$12,490.00 7,297.06
deposit for non-depositing bondholders for bonds exchanged	660:70
	\$20,447.76
Expenses:	
Franchise Tax \$ 10.00	
Capital Stock Tax 10.00	edram based size
1929-1930 R.E. Taxes 3,046.31	
2nd 1/2 1932 R.E. Taxes 979.85	
1st 1/2 1933 R.E. Taxes 976.99	
Heat, Light and Water 4,464.89	
Repairs & Maintenance 1,262.45	
Management Fee 817.96	
Teral and Auditing Services 353.00	
Miscellaneous expense 205.94	2006
.Tanitor	 -
Renting 75.00	
Insurance 545.47	13,622.86
21/2% Distribution made as of August 1, 1935	\$ 6,824.90 6,780.00
Undistributed net income	44.90

If there is any further information you desire in connection with this property we shall be glad to have you call at our office for same.

Yours very truly, 6929 North Clark Street Building Corporation, Paul E. Darrow, President.

748

Dearborn 8670

Colonial Securities Company 29 South La Salle Street Chicago

August 12, 1935.

Mr. Jos. Baumann, S. Baumann & Bros., 553 Sixth Avenue at 15th Street, New York, New York.

Dear Joe:

I received your letter of August 8th and am sorry that, inadvertently, the copy of letter sent to the Rogers Park bondholders was not included with my last letter, and at-

tached hereto you will find same.

With respect to the Station "F" bonds, of course, same will depend entirely upon what we can work out in the plan of reorganization. This matter is being given a great deal of consideration at this time and just as soon as I have something more definite to tell you on same, I will write you.

Thanks a lot for the complimentary comments regarding Valerye. I think her pictures are lovely and even though

I do say so myself, they were not flattering.

I hope that business is improving somewhat with you. I understand that the furniture business in Chicago is continuing at a good pace, which I trust is also true in the East.

I hope this finds you real well and with my best wishes,

I am,

Sincerely, (s) Myrtle

MJ:EA

749

NATIONAL REALTY TRUST Suite 1807, 100 West Monroe Street Telephone, DEArborn 8666 Chicago

La Grange Post Office Armour Station Post Office Austin Station Post Office ~U.S. Service Station, Los Building Angeles Berwyn Post Office Ogden Park Post Office Crandonshore Building Building Division and La Vergne Post Parkview Manor Building Rogers Park Post Office Office Station "F" Post Office Building Grand Rapids Parcel Post Windsor Park Station Building Station April 9, 1937

Mr. Joseph Baumann, S. Baumann & Bros., 553 Sixth Ave., at 15th St., New York, New York. Dear Mr. Baumann:

We enclose herewith check in the sum of \$81.00 in payment of interest coupons forwarded to us on bonds of our Corporation.

Austin Station Building Corporation, Very truly yours, (s) Paul E. Darrow
President.

PED:EA

750 SOUTH SHORE VILLA APARTMENTS,

N.W. Cor. 69th St. and South Shore Drive, Chicago

Jacob Kulp, Manager Business Address, Room Residence Telephone, Midway 1807, 100 W. Monroe St. 7257 Business Telephone, Dearborn 8666

December 22, 1938

PARK VIEW MANOR BUILDING COMPANY

Notice of Annual Meeting of the Shareholders To the Shareholders:

Notice is hereby given that the annual meeting of the shareholders of the Park View Manor Building Company

will be held at the office of the company at Room 1807, 100 -West Monroe Street, Chicago, Illinois, on January 10, 1939, at 10 o'clock A.M., for the election of directors for the ensuing year, and for the transaction of such other business as may properly come before the meeting, or any adjournment or adjournments thereof.

The books for the transfer of shares of stock of said company will be closed at the close of business on December 31, 1938, and unless otherwise ordered by the Board of Directors, will be reopened at the opening of business

on January 11, 1939.

We are enclosing statement of our income and expenses for the fiscal year ending November 30, 1938, from which you will note that the earnings of the Company were sufficient to pay a total of 3% for the year on our First Mortgage bonds-1% being the distribution on June 15, 1938 and 2% December 15, 1938.

If you have not already collected the June 15th and December 15, 1938, interest, you may present your coupons

for payment at this time.

Respectfully. Paul E. Darrow, President.

If you do not expect to be present at the meeting, please date and sign the enclosed proxy and return it in the accompanying envelope.

751-

NATIONAL REALTY TRUST 29 South La Salle Street Telephone, DEArborn 8666 Chicago

Address New 100 W. Monroe St., Suite 1807

Armour Station Post Office La Grange Post Office zz Austin Station Post Office Building Berwyn Post Office Crandonshore Building Division and La Vergne Post Parkview Manor Building Office Station "F" Post Office Grand Rapids Parcel Post Station

U.S. Service Station, Los Angeles

Ogden Park Post Office Building

Rogers Park Post Office Building

Windsor Park Station Building

February 18, 1936.

Mr. Joseph Baumann 601 West End Avenue New York City

Dear Joe:

As long as Mr. Kulp is going to New York and we are sending out the attached letter, I am having him take it with him. You will note from this that the Austin Station Building Corporation reorganization is now completed, so that the last bonds purchased by you will be endorsed immediately after March 1, when the bonds will be sent to you together with interest check.

This only leaves the Ogden Park Post Office Building Corporation reorganization to be completed. The reorganization hearings in the Ogden Park case were finished before Judge Wilkerson about ten days ago and the matter is now up for advisement. The Ogden Park interest, which will be at the rate of 3%, will be ready for distribution just as soon as the Plan is confirmed and I will advise you latter on same. This only refers to bonds which I gave you for McKinley Park P. O. Bonds last year.

Yours very truly, (s) M. Johnson M. Johnson.

MJ PJ Enca

P.S. Will you also please sign the consent on Station "F", which I sent you, as well as on Twenty-Second Street; also South Side Service.

M. J

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NATIONAL REALTY TRUST 29 South La Salle Street Telephone: DEArborn 8666 Chicago

New Address 100 W. Monroe St., Suite 1807

Armour Station Post Office La Grange Post Office Austin Station Post Office U.S. Service Station, Los Building Angeles Berwyn Post Office Ogden Park Post Office Crandonshore Building Building Division and La Vergne Post Parkview Manor Building Rogers Park Post Office Office Station "F" Post Office Building Grand Rapids Parcel Post Windsor Park Station Station Building February 17, 1936

To the First Mortgage Bondholders of Austin Station Building Corporation.

You will undoubtedly be pleased to learn that the plan of reorganization of our Corporation has been confirmed by the Federal Court.

The confirmed plan provides for the bonds being extended and the interest rate reduced in accordance with the original plan submitted to you, with an additional provision for deposit of our capital stock with Chicago Title and Trust Company, Trustee, so long as any of the First Mortgage bonds are outstanding.

Provision covering management of the property has also been arranged so that we believe every protection has been given to the First Mortgage bondholders.

We are enclosing statement to December 31, 1935, of our receipts and disbursements since the reorganization proceedings were originally instituted, which statement also gives information as to our tax status. From this statement, you will note that no provision has been made for legal fees to be allowed by the Court in this reorganization matter as the Court still has the matter under advisement. We are confident that the Court will allow fees at a reasonable figure and our next statement will give you full information on same.

Funds are on hand to make distribution of the April 15, 1936 interest on the First Mortgage bonds, which will be paid after March 1, 1936. If your bonds have not already been deposited, will you kindly mail or bring same in after March 1, 1936, at which time the present coupons attached to the bonds will be removed and new ones attached. The bond will also be endorsed and same will be immediately returned to you.

At that time, the new April 15, 1936 coupon will be detached and payment made of 1½% interest on the First Mortgage bonds covering the April 15th distribution re-

ferred to above.

If your bends have already been deposited, will you kindly mail or bring in your receipt after March 1, 1936, when you will receive your old bonds properly endorsed with new coupons attached and interest distribution as outlined above.

At this writing, the building is 100% rented and we hope that the earnings will permit uninterrupted payment of interest every six months as provided in the plan.

Assuring you that we greatly appreciate the cooperation

given by the bondholders, we are

Yours very truly,
Austin Station Building Corporation,
Paul E. Darrow, President

PED EA

753 AUSTIN STATION BUILDING CORPORATION CASH RECEIPTS AND DISBURSEMENTS JULY 12, 1934 TO DECEMBER 31, 1935.

Receipts Rent—Post Office 1934	\$ 5,412.50
1935	12,990.00
Apartments 1934 1935	3,475.00 6,700.00
Stores 1934	1,185.00
1935	2,595.00
Received from George H. Andresen, former Trustee	270.24 \$32,627.74

Cash Balance	-On Deposit		\$ 5,585.75
Legal Auditing Renting Commission Tax Services Miscellaneous	86.	256.10 66.75 56.70 267.19 69.52	27,041.99
Printing, etc.	96.51	453.51	
Management Fee 59 Janitor Insurance Reorganization Expe Court Reporter Fees Public Notices,	C	1,666.68 1,265.00 1,827.09	
Repairs Sundries	402.36 273.69	1,819.85	
and Repairs Heating System	261.65		
Miscellaneous Supplies Stoker Service	241.26		199
Plumbing Waste Disposal Carpenter	67.15 185.00 388.74		
Heat, Light and Wat Repairs and Mainten	ance	4,056.60	
Special Assessments	1,450.88	15,237.00	
1st ½ 1934 Franchise Capital Stock	1,551.07 55.00 10.00		
2nd ½ 1932 1933	1,664.64 2,879.87		100
1929 1930 1931	\$1,533.61 1,724.95 4,366.98		
Disbursements Taxes—Account			

Amount Required for 1½% Interest Disbursement on First Mortgage bonds

Unpaid Taxes

1929 taxes including Interest to 12-31-35 \$3,478.75) \$2,833.36 in 1936) Plus including Interest to 12-31-35 3,604.62) 2,125.00 in 1937) terest 2,125.01 in 1938) from 12-31-35

2nd ½ 1934 1,551.07 (Paid February 17, 1936)

754 FEDERAL FACILITIES REALTY TRUST 100 West Monroe Street Telephone, Dearborn 8666 Chicago

Chicago Post Office Service
Station
Columbus Parcel Post
Station
Station "D" Post Office
Building
Dallas Parcel Post Station
Ferry Station Post Office
Irving Park Post Office
McKinley ark Station

North Halsted Post Office Quincy Station Post Office Roseland Station Post Office U.S. Service Station, St. Louis South Side Service Station 22nd Street Station Post Office Villa Garage

December 21, 1936.

Mr. Jos. Baumann, S. Baumann & Bros., 553 Sixth Avenue at 15th St., New York, New York.

Dear Joe:

I am enclosing herewith check to your order for \$45.00 in payment of the Twenty-Second Street Station Building Corporation coupons which fell due December first.

We have filled in an ownership certificate showing that this income is being received by you. If, however, it is for another account will you so advise me so that our records may be changed thereon.

I am very happy to know that Mozette is somewhat improved and hope that the new year will bring her a lot of good health.

Wishing you and yours a very Merry Christmas and a prosperous New Year, I am,

Sincerely,
(s) Myrtle

MJ:EA

755

Dearborn 8670

COLONIAL SECURITIES COMPANY 100 West Monroe Street—Suite 1811 Chicago

August 26, 1938

Mr. Joseph Baumann, c/o Baumann & Bros., 553 Sixth Avenue New York, New York

Dear Joe:

Your letter of August 23rd, with enclosures, has been received.

I am enclosing herewith check for \$576.00 to your order, being the balance due you in the bond transaction, the statements for which and the registered bonds I will send to you Wednesday or Thursday as soon as they are received from the Trustee who is to register them.

I appreciate that the enclosed check will be helpful and I think was a good way to meet the cituation at this time.

Valerye is leaving for Birmingham with her husband tomorrow as Frank's uncle seems to have a prospective opening for him in the law business, which may mean they will move from Chicago. Of course, Frank's future is the most important thing to consider although it will be a great loss to us to have them leave Chicago. It will depend entirely on Frank's reaction to the situation after they have gone into details when in Birmingham.

I hope this letter finds every one real well and with my

best as always, I am

Sincerely, (s) Myrtle

MJ:EA

756

Dearborn 8670

COLONIAL SECURITIES COMPANY 100 West Monroe Street—Suite 1811 Chicago

August 22, 1938.

Mr. Joseph Baumann, S. Baumann & Bros., 553 Sixth Ave., at 15th Street, New York, New York.

Dear Joe:

I have your letter of August 19th and you may rest assured that I would not have suggested the exchange of securities for you unless I saw some special possibility in connection with the securities which I had recommended in

place of the ones you are holding.

I am very hopeful of putting over the refinancing program which would put me in a position to take the bonds up at 40 and I figured I could always repurchase the Austin bonds if I thought it advisable at that time. Therefore, would suggest that you ship the bonds to me as I suggested, together with information as to registration. Upon receipt of same I will send you a check for the balance due in the transaction and have the Crandon bonds registered which will take a few days.

Even though I do not work out the refinancing, I was very conservative in your return on the bonds as I wouldn't be surprised but what they will pay more than 1% during

the next two years.

Thanks for the kind remarks about my family and I hope that one of these days you will be in Chicago when you will have an opportunity to get better acquainted. The rest of my family have been fairly well although the baby had an accident two weeks ago and broke his right arm. He is, however, getting along nicely and the fact that it is in a cast does not seem to hinder him very much.

With best wishes as always, I am Sincerely.

(s) Myrtle

MJ:EA

757

Dearborn 8680

COLONIAL SECURITIES COMPANY 100 West Monroe Street—Suite 1811 Chicago

August 12, 1938

Mr. Joseph Baumann, 553 Sixth Avenue at 15th Street, New York, New York.

Dear Joe:

You will recall that in May, 1935, I had you sell \$7,000 McKinley Park Station bonds and take in lieu thereof \$5,400 Austin Station, \$3,500 Rogers Park Station and \$2,000 Ogden Park Station bonds. Our transaction at that time has worked out very favorably for you as the McKinley Park Station bonds are currently bid at 15 since the Government moved out of the building and we have only one tenant in the building using one-half of it paying just a little more than sufficient to take care of operating expenses and taxes, so that no interest is being paid on McKinley Park Station bonds, whereas the other bonds are now all paying 3% interest.

If you were to sell the bonds which I gave you in exchange for McKinley Park Station you could realize \$3,851 cash against \$1,050 if the McKinley Park Station bonds had been retained.

I have another suggestion to make at this time which may likewise prove very profitable and I think would work out advantageously for you. That is that the \$5,400 Austin Station bonds be sold at 44 flat realizing \$2,376 and that the \$2,000 Ogden Park bonds be sold at 30 which would bring \$600 making a total of \$2,976 cash you would realize from these two securities.

It is not my thought right now, however, to sell Rogers Park Station bonds. With the proceeds of the \$5,400 Austin Station and the \$2,000 Ogden Park, I propose to sell you \$8,000 of the 6748 Crandon Avenue Building Corporation First Mortgage bonds which are on the 39 apartment building at 68th and Crandon Avenue for which you recently sold us some carpeting. The Crandon Avenue building bonds are now paying only 1% interest due to the fact that all repairs, carpeting, stoves and refrigeration have been charged up as expenses and not as a capital invest-

ment and we have had some installments of protested taxes to take care of. The unpaid balance on these taxes, however, will be paid in full by the end of 1939, after which interest payments, I believe, will be 3%, so that you would receive \$240 annually from the bonds in place of \$222 which you are now receiving from the Austin Station and Ogden Park Station bonds. The \$8,000 Crandon Avenue building bonds, however, would cost you only \$2,400 and you would receive credit of \$2,976 so that you would have \$576 cash refunded to you at this time which would more than offset the loss of interest between the 1% you would receive on the Crandon Avenue building bonds for the two years and the 3% you are now receiving on the Austin and Ogden Park Station as the difference of 2% on \$7,400 of bonds per year would be \$148 per annum or a total of \$296, whereas you would get back cash at this time of \$576.

758 I do not have any additional Crandon Avenue building bonds or I might suggest that you take the \$576 and add \$24.00 to it so that you would have \$10,000 of same, in which event your interest return would be greater.

However, I do have some of the units on Parkview Manor which are available at the same price and if you decide you don't want the \$576 and wanted to add \$24.00 to it we could add two units of the Parkview Manor.

There is also another feature in connection with the Crandon Avenue building bonds which I want to mention at this time, that is if you decide to follow my suggestion, I want to have an option to buy the bonds back from you for the Corporation at a price of 40 for a period of not over one year. The reason for this is that if we can get the bondholders to accept 40c on the dollar for their bonds, we can secure an insurance company loan which would permit us to pay off the bonds at that price, in which event you would have a profit on the eight bonds of \$800 plus interest that is paid while you hold same plus the \$576 offered you above.

While there is a ten year lease to run on the Austin Station it makes those bonds worth more than Ogden Park for the Ogden Park lease to the Government only runs until June 30, 1939, and what the Government will do beyond that time it is hard to say. We may be confronted with the same proposition as we were on the McKinley

Park Station.

I would appreciate your letting me hear from you in this matter at an early date and want you to know that in making the transaction there is going to be a profit to the Colonial Securities Company. It is only due, however, to the fact that I am taking the Austin Station bonds at a higher price than is being bid for them at this time that the transaction can be worked, otherwise it would not be possible for me to handle the bonds in this way and pay you the cash which you may be able to use to good advantage now and yet not jeopardize your principal.

If you decide to follow my suggestion, you may ship the bonds to me by registered mail and advise me in whose name you will wish the other bonds as they are registered bonds and will have to be registered before being sent.

I trust this letter finds you real well and awaiting your advice in the matter, I am MJ:MS

> Sincerely yours, (a) Myrtle

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NATIONAL REALTY TRUST Suite 1807, 100 West Monroe Street Telephone, DEArborn 8666 Chicago

Armour Station Post Office Austin Station Post Office Building Berwyn Post Office Crandonshore Building Division and La Vergne Post Ogden Park Post Office Office Station "F" Post Office Grand Rapids Parcel Post

Station La Grange Post Office Building U.S. Service Station, Los Angeles Building Parkview Manor Building Rogers Park Post Office Building . Windsor Shore Station Building August 21, 1942

Mr. Joseph Baumann care S. Baumann & Bro. 6th Avenue at 15th Street New York, New York

Dear Joe:

I have your letter of August 19th and I don't blame you for dropping me a line and asking if something cannot be done either towards interest or principal of your note. However, there is nothing that can be done at this time. Your note being secured by the stock fo the National Realty Trust is now in court and has been for nearly two years. We hope that sometime this year it might come to an end.

For your information the buildings in the National Realty group have considerably improved due to the fact that there are many buildings in the National Realty group that are apartment buildings and the demand for apartments has been improved in the past four or five years and we hope that they will continue to do so; but this ceiling that was put on rents has just put a setback to all apartment buildings and of course same will not fare as well as it did. We owed a great deal of money on back taxes on most of the apartment building properties due to the fact that rents were very low and taxes were high. During the last few years we were fortunate enough to pay up most of our back taxes and improved the buildings with new equipment, such as refrigerators, stoves, carpet in halls, new roofs on buildings, and yet in most cases were able to pay something on the First Mortgage bonds which, of course, helps the stock back of the bonds and the National Realty Trust owns a great deal of those bonds and some day I hope that the stock that you have as collateral will be worth a great deal more than the amount we owe you.

You say that you have heard that I am doing very nicely in my present position. I want you to know exactly what I am doing. I am kept busy managing all the buildings, trying to save a nickel here or there in order that our bondholders may receive some interest, if at all possible, and keep the buildings up to the best of my ability with as little expenditure as possible. It is true I have accomplished my point in San Francisco and have leased the building at a decent rental although I had to spend considerable money to rehabilitate the building in order to make it suitable to be used as a medical unit for the Navy, but by staving on the job and looking after it myself I did the work in practically six weeks by being on the job every morning at 7:00 o'clock and staying on the job until 4:00 o'clock every day, which meant that while moving 30,000

bales of cotton out of the building I must simultaneously do my remodeling.

Of course you can appreciate a building that has been occupied for fifteen years and that has had very little attention due to the fact that the same tenant was in there

760 and the very fact that I stored 30,000 bales of cotton in the building for a year didn't improve conditions in the building while the cotton was in there and I had some job on my hands. I paid as high as 90c for common labor per hour and as high as \$2.25 to mechanics per hour but that wasn't it. The real problem was to get the labor as well as the mechanics. You must appreciate that San Francisco is a very vulnerable spot and since December 7th people in the east probably have no conception of what the government is doing out there. For your information the Alameda air base which is located across the bridge from San Francisco near Oakland as well as the Mare Island ship building unit are just tremendous. It is impossible for any one to appreciate the magnitude of those places that are being built and you know in these times wages are high and labor as well as mechanics are scarce.

Mr. Kahn, of MacDonald & Kahn who erected the building for us originally, is a very good friend of mine He has always found me 100% and I have always tried to deal with him in a satisfactory manner and there wasn't anything within reason that I couldn't accomplish through that office. To give you an idea, I spent close to \$50,000.00 on remodeling the building and removing the 30,000 bales of cotton and the corporation didn't have 50c to do it with nor can you go out and borrow money on a government lease that can practically be cancaled on thirty days notice and you know that labor and material today are cash; pay day is every Friday. I got the firm of MacDonald & Kahn to put out all the money for me in advance and wait for it until I could get it from the government in the form of rents in order to pay it back.

This firm had, when I was there, close to two billion dollars worth of defense work for they are building ships and planes and everything imaginable. They couldn't see how the building could ever be ready for the Navy in less than four months and they also couldn't see how the cost could be less than about \$75,000.00 but that wasn't satisfactory to me. I had to get rent as quickly as possible and my

proposition was made on December 31st and by being on the job and keeping after them it was accepted on January 9th and on the night of January 9th I started to work. I believe it was on a Friday and on Monday morning I had over 100 people on the job and stayed right with it until an hour or two before my train left which was February 18th, if I remember rightly, and by using everything that I had in the building that I could use instead of buying new we saved \$25,000.00 in remodeling but we also got between \$15,000.00 and \$20,000.00 in rent which we wouldn't have gotten if I had left it to other people to worry about

instead of staying on the job myself.

However, we are receiving rent as of February 7th so it was a good job and a good accomplishment, yet I worked very hard, ruined two suits of clothes, an overcoat, shoes and hats for every afternoon when I left the building my clothes as well as my hair were full of plaster and mud and during all this time it rained in San Francisco for five solid weeks. However, Joe, there is nothing personally that I get out of it. It is all for the bondholders. All I get is \$300.00 a month for looking after the building, so you can appreciate I have nothing to do with the funds that are being collected from the building. Same is handled by Mr. Darrow who is appointed here by the court and we are all trying to do a good job, but as far as having

or interest, it would have to be received from the National Realty Trust and while, as I said before, they are in much better shape today than they were ten years ago, we all seem to have to wait and some day you will find that the securities you are holding will pay you back every penny

that you have loaned.

With reference to my being offered a job, of course Mr. Kahn being a friend of mine when I went in to bid him goodby said he couldn't believe I had the building done in the length of time that it took but he said he was very glad to see me leave town as I had disrupted many of his jobs by taking labor and material which were needed for other jobs and in probably a joking way he said, "I need men like you", but at my age you can appreciate that many younger people who have more knowledge of the building business, for it isn't just building buildings it is mechanical work of which I have very little knowledge, would be better

suited for the job. What I am trying to do is to keep my health and go along with what I am getting and be satisfied with it until such time as there is improvement all around,

and I am looking forward to the day it will.

I certainly agree with you and I think you are 100% right that you don't need as large an apartment and that if you had a smaller apartment you wouldn't need the help that you now have, and that by all means your daughters should go out and get a job and go to work like everybody else. There is plenty of work to be done; plenty of jobs to be had and girls that have had the education that your daughters have received should have no hardship in going out and getting a job and helping in times like these.

I recently rented an apartment to the head man of the Social Security Board of this district and I talked to him about the New York office, whether my granddaughters would have an opportunity of getting jobs and he sent me a letter and I believe Myrtle sent the letter to Mozette. Those jobs pay from \$105.00 to \$120.00 a month and you don't have to be civil service in order to get them, and I certainly hope that if Marahlea as well as Jane get jobs

they will be far better off if they do.

I can appreciate what you tell me about your business but Joe it seems to me that the laboring class of people that buy furniture on time have never in the history of this country made as much money as they are making now and worked as steadily as they are working now and it seems to me that the furniture business ought to improve some due to those facts. I hope that you will bear with me and believe me when I say that as far as your note is concerned, you have just got to wait.

I trust that this will find you, Mozette and the children in the best of health as well as your mother and sisters.

(s) Uncle Jack

JK:MB

762 FEDERAL FACILITIES REALTY TRUST 29 South La Salle Street Telephone, Dearborn 8666 Chicago

Chicago Post Office Service Station Columbus Parcel Post Station Station "D" Post Office Building Dallas Parcel Post Station

Dallas Parcel Post Station Ferry Station Post Office Irving Park Post Office McKinley Park Station North Halsted Post Office Quincy Station Post Office Roseland Station Post Office U.S. Service Station, St. Louis South Side Service Station 22nd Street Station Post Office Villa Garage

September 26, 1935.

Notice to Holders of securities purchased from Jacob Kulp & Company

In the interest of economy we are moving our present quarters on September 30th to Suite 1807, 100 West Monroe Street, being the northwest corner of Monroe and Clark Streets.

If there is any information you desire pertaining to your securities we will be glad to have you call at our offices, when you are in Chicago, where full details will be available at all times.

Very truly yours,
Paul E. Darrow,
Trustee,
Federal Facilities Realty Trust
National Realty Trust.

763

3

NATIONAL REALTY TRUST Suite 1807, 100 West Monroe Street Telephone, DEArborn 8666 Chicago

Armour Station Post Office
Austin Station Post Office
Building
Berwyn Post Office
Crandonshore Building
Division and LaVergne Post
Office
Station, "F" Post Office
Grand Rapids Parcel Post
Station

LaGrange Post Office
Building
U. S. Service Station,
Los Angeles
Ogden Park Post Office
Building
Parkview Manor Building
Rogers Park Post Office
Building
Windsor Shore Station
Building

December 16, 1941

Miss Ann Botthof S. Baumann & Bro. 6th Ave. at 15th St. New York City

Dear Miss Botthof:

We enclose check to the order of Marahlea Baumann in the sum of \$77.40 and Jane Baumann in the sum of \$18.90 in payment of interest coupons of the Park View Manor Building Company enclosed with your letter of November 21st.

Very truly yours, Park View Manor Building Company /s/ Paul E. Darrow

J:PED:VMC

764

August 5th, 1936.

Miss Myrtle Johnson, Federal Facilities Realty Trust, 100 West Monroe Street, Chicago, VI.

Thru some oversight I omitted to send you the \$5,000. bonds No. 193-197 inclusive, of the South Side Post Office Service Station, but am herein enclosing same, together with a \$100. bond No. 47 of the same issue, belonging to Miss Botthof. These are being forwarded via registered mail.

On receipt of these bonds I trust you will mail a check for the interest and return the bonds as soon as possible. With kindest regards, I am

Sincerely.

JB/AB Enc. (6)

765

September 1st, 1936.

Miss Myrtle Johnson, c/o National Realty Trust, 100 West Monroe St.,

Chicago, Ill.

Dear Myrtle,

I am herein returning the receipts for the Twenty-Second Street bonds, duly signed; also ownership certificates covering the interest on the South Side Bonds belonging to Marahlea, and Miss Botthof.

With kindest regards, I am, Sincerely,

JB/AB Enc. (4)

766

May 20th, 1946.

Miss Myrtle Johnson 100 W. Monroe St. Chicago 3, Ill.

Dear Myrtle:

In reply to your letter of May 16th, desire to state that I have 10,000 shares of National Realty Trust; five certificates of 2000 shares each numbering from 131 to 135 inclusive.

Trusting this is the information you desire, I remain Sincerely,

JB*IS

767

Dec. 23, 1936.

Miss Myrtle Johnson c/o Federal Facilities Realty Trust 100 West Monroe Street Chicago, Ill. Dear Myrtle:

Your letter of the 21st at hand and contents noted, and in reply desire to state that the three bonds for which you have mailed me an interest check, belong to Jane and not to me.

Kindly correct the ownership certificate and mark your

records accordingly.

Very truly yours,

JB:MA

768

August 19th, 1938.

Miss Myrtle Johnson, 100 West Monroe St., Chicago, IH.

Dear Myrtle.

Yours of the 12th at hand and have been studying same over very carefully before answering it. While it is true that the 2M Ogden Park bonds may discontinue paying interest after next year, nevertheless the Austin Station bonds, amounting to \$5,400. are good for at least another ten years. The Crandon Avenue building bonds are nothing more or less than a real estate venture and while you state that there are thirty-nine apartments in this building. nevertheless, the Post Office securities have a greater intrinsic value, wherein the Crandon Avenue Building is a gamble. Do not get me wrong; I have great confidence in your ability, integrity and good sound judgment and if I have your assurance that the swap, as suggested by you, is a safe investment, I am willing to be guided by your advice. My principal reason for writing you before accepting your suggestion is to be sure that I am not making a mistake. If your advice is in the affirmative, I will, following your suggestion, take a cash check, together with the 8M Crandon Avenue bonds.

I need not tell you how glad I was to meet both Frances and Gil and enjoyed their company very much. He seems like a swell chap and your sister-in-law is certainly a lovely

girl. I was only too sorry that we could not spend more time with them and hope you will extend my kindest regards to them the next time you see them.

With kindest regards to the rest of the family, I am, Sincerely,

JB/AB

769 \$80,000.00

New York, June 2nd, 1930.

One (1) year after date for value received, the undersigned promise to pay to Joseph Baumann, or order, at his office in the City of New York, in funds current at the New York Clearing House, Eighty Thousand 00/100 Dollars, with interest at the rate of prevailing per cent per annum and the following is hereby deposited with said Joseph Baumann, as collateral security, for the payment of this and any other liability or liabilities of the undersigned, or of the guarantors hereof, or which may hereafter be contracted or existing, due or to become due to, or held or to be held by, said Joseph Baumann, viz.:

All of the stock of the Crandon Shore Building Corp.

Chicago, Ill.

All of the stock of the Austin P. O. Building, Chicago, Ill.
All of the stock of the Rogers Park P. O. Building, Chicago, Ill.

All of the stock of the Windsor Park P. O., Chicago, Ill. All of the stock of the Grand Rapids Parcel Post Bldg.,

Grand Rapids, Mich.

said Trust Company is also given a lien for the amount of all said liabilities upon all property or securities now or hereafter given unto, or left in the possession or custody of said Trust Company by or for account of the undersigned, or in which the undersigned may have any interest (all remittances and property to be deemed left with said Trust Company, as soon as put in transit to it, by mail or carrier), and also upon the balance of the deposit account of the undersigned with said Trust Company existing from time to time.

The undersigned shall deliver to said Trust Company additional collateral satisfactory to it whenever called for

by it, so that there will, at all times, be with said Trust Company a margin of security satisfactory to it; and in case of failure so to do forthwith, this note (and, at the option of said Trust Company, all other said liabilities) shall become at once due and payable without demand of payment hereof, and upon non-payment, or non-fulfillment of any term, of this note or of any of said liabilities, then this note or any of said liabilities or any designated part thereof shall become immediately due and payable at the option of said Trust Company on presentation hereof or thereof, or of said part, for payment, and should this note or any of said liabilities become immediately due and payable as herein provided, said Trust Company may immediately sell and apply said property or securities in the manner and with the effect hereinafter provided.

Said Trust Company is hereby authorized and empowered at its option at any time to appropriate and apply to the payment and extinguishment hereof and/or of any other of said obligations or liabilities, whether now existing or hereafter contracted, any and all moneys, or other property or proceeds thereof, now or hereafter in the hands of said Trust Company or deposit or otherwise for account of, to the credit of, or belonging to, the undersigned, whether this note, said obligations or liabilities are then due or not due. In the event of the insolvency of, or the appointment

of a receiver of the property of, or an assignment for 770 the benefit of creditors of the undersigned, this note and all said obligations and liabilities shall become and be immediately due and payable without demand or notice.

Said Trust Company is hereby authorized, upon the non-payment of any of said liabilities when due, to sell, assign and deliver the whole of said securities or from time to time any part thereof, or any substitutes therefor, or any additions thereto, or any other securities or property at any time given unto or left in the possession or custody of said Trust Company by or for the undersigned or in which the undersigned may have any interest, at any Brokers' Board, or at public or private sale, for cash, upon credit or for future delivery, all at the option of said Trust Company, or any of its officers, without either advertisement or notice, which are hereby expressly waived.

Upon any sale or sales at public auction or Brokers' Board or Exchange above provided for, said Trust Company, or the holder hereof, may bid for and/or purchase

the whole or any part of such securities or property, free from any right of redemption, which is hereby waived and released.

In case of any sale by said Trust Company, of any of said securities or property on credit or for future delivery, the securities and property sold may be retained by said Trust Company until the selling price is paid by the purchaser, but said Trust Company shall incur no liability in case of failure of the purchaser to take up and pay for the securities or property so sold. In case of any such failure the securities or property may be again sold.

In case of sale for any cause, after deducting all costs or expenses of every kind for collection, sale or delivery, said Trust Company may apply the residue of the proceeds of the sale or sales so made to pay either one or more or all of said liabilities to said Trust Company, including this note, whether then due or not, as it shall deem proper; making proper rebate for interest on liabilities not then due and returning the overplus, if any, to the undersigned, who agree to pay and to be and remain liable to said Trust Company for any deficiency, with legal interest, arising

upon such sale or sales.

Upon any transfer of this note, said Trust Company may deliver the property held as security, or any part thereof, to the transferee, who shall thereupon become vested with all the powers and rights given to said Trust Company in respect thereof, and said Trust Company herein shall thereafter be forever relieved and fully discharged from any liability or responsibility in the matter. Said Trust Company may pledge any of said security, either alone or mingled with other securities to the United States or to the Federal Reserve Bank, to secure deposits or other obligations of said Trust Company, whether or not such liability of said Trust Company be in excess of the liability of the undersigned to said Trust Company.

Calls for collateral or any notices to the undersigned may be made or given by said Trust Company by leaving same at the address given below or the last known address of the undersigned or by mailing same to such address, with same effect as, if delivered to the undersigned in person.

Jacob Kulp & Co. by Jacob Kulp & Co. /s/ Address 33 So. LaSalle St., Chicago, Ill.

Personally guaranteed by Jacob Kulp

Jacob Kulp /s/

771

In consideration of the making at the request of the undersigned of the loan evidenced by the within note upon the terms thereof, and of the sum of one dollar, the undersigned hereby guaranteed to The New York Trust Company, its successors, endorsees, or assigns, the prompt payment of the said loan when due, and hereby consent to the terms and conditions of said loan and that the securities pledged as collateral for the said loan may be exchanged or surrendered in whole or in part, from time to time, or the time of payment of the said loan or any of the securities therefor extended, or the rate of interest changed, without notice to or further assent from the undersigned, and that the undersigned will remain bound upon this guarantee notwithstanding such changes, surrender or extension. The undersigned waive demand of payment from maker of said note, and also waive notice of non-payment of the said loan or note, and also waive notice of any sale of the collateral securities held for the said note.

7/11/30 \$5000. — plus int. 8/12/30. 5000. — plus int. 6/26/31 15000. — 6/2/32 2500. — 8/2/32 2000. — 9/12/32 500. —

772

April 26, 1930

Received of Mozette Baumann, the following securities:

	Market Price
200 shares common stock, Electric Bond	
& Share Company	1081/4
400 skares common stock, General Elec- tric Company	90
\$2,000 Parkview Manor Building Com-	
pany 7% First Mortgage Bonds due	\$30 per hundred
\$2,000 Irving Park Station 61/2% First Mortgage bonds due 1935	\$30 per hundred
\$9,000 Columbus Parcel Post Building	
6½% First Mortgage leasehold bonds due 1947	\$45 per hundred
	3

I hereby agree in consideration of said securities being delivered to Jacob Kulp & Co. for the use and benefit of said

Jacob Kulp & Co. that I will guarantee redelivery of the same amount of securities or in lieu thereof the market value of same, as indicated opposite the respective securities, and guarantee the payment of the income from said securities less any amount which may be advanced by Jacob Kulp & Co. or by or for me on its behalf.

This agreement shall be binding on my heirs, executors

or assigns.

Jacob Kulp /8/

773 Telephone Dearborn 8666 33 South La Salle Street Chicago

April 26

Dear Bab:

Just received note you sent and it is needless to say that I tink it is the most nobel ting of you to do. I sertenly apresit it and I don't want you to worry. You may rest asured that som day if I live I will mak up for it. Myrtel as been gone all week in St. Pall and she will not be bak until the last of next wek but will hope everyting will com out OK with God's help. Love to you and Marly and Jan and tank you 1000 times.

Lovingly,

Uncle Jack

COPY

774 COPY

MYRTLE JOHNSON 100 W. Monroe Street Chicago

April 14, 1941

Mrs. Joseph Baumann 601 West End Avenue New York City

Dear Mozette:

Your various letters were received, and I assure you I was not ignoring them. I thought Mr. Kulp had told you I was having a camplete report made on the various stocks, or otherwise, as to dividends paid, and any changes so that I could work this matter out to your mutual satisfaction. It happens, however, that the statistician who was to give me the information from the brokerage house has been

laid up for the last two weeks, and is not expected back on the job before Wednesday or Thursday, after which I will get all the information. I assure you I had no intention of ignoring it. Just as soon as I get this data together I will set the whole thing up so that we will both have complete information.

By the way, I presume you have a receipt or something from Mr. Kulp. Will you be good enough to send me a copy

of it so that I may work from that?

I saw your mother yesterday for the first time since her return and to be candid with you I do not think she looks so very well. Of course, I did not tell her that. Frank and I went over yesterday noon and she was doing up some dishes after having gotten a little lunch on their return from Temple. She said she felt a lot better, but she certainly did not look it. Of course, we are all-getting older and she lost so much weight during her illnesses so that she seems so little. Maybe it was my imagination, but she seemed different. Her spirits are very good and she seems quite cheerful with the results that have been accomplished and said the doctor told her it would be some time before her arm would be alright. I understand she gained four pounds, and surely that is in her favor. I will keep you posted as to how she is from time to time.

As for my family they are all going along. Everyone was home for the Easter holiday yesterday and we had a lot of other guests, so it was a big day. Valerye's children are both well again, and she is feeling very well. Of course, she will be glad to have the period between now and July

10th pass quickly.

The weather in Chicago is delightful, and I am only hoping it will last a little while as we have had a long miserable winter.

With kind regards, as always to you and yours, I am Sincerely yours,

MJ:VC

Myrtle /s/

775 COPY

COPY

THE BANK OF UNITED STATES
Member of Federal Reserve System
New York

April 24, 1930

Mr. Jacob Kulp, c/o Jacob Kulp & Co. 33 So. La Salle Street, Chicago, Illinois Dear Sir:—

Pursuant to our conversation enclosed herewith you will find the following stocks and the second stocks.

200 sh. Electric Bond and Share Co. No. TNY 37108-37109

400 sh. General Elec. Co. Common No. NYC 117935-6-7-40

2M Park View Manor Building 7s 1938 No. D 855-856-M-1051

2M Irving Park Station Chicago Post Office Building 61/2s 1935 No. 126-127

9M State of Ohio Columbus Parcel Post Bldg. 6½ 1947 No. 491-2-3-4-5- No. 501-2-3-4

Kindly acknowledge receipt.

Yours very truly,

776 COPY

COPY

THE BANK OF UNITED STATES

Member of Foderal Reserve System

New York

April 24, 1930

The Bank of United States, 91st St. & Broadway New York City

Gentlemen:

I hand you herewith the following stocks and bonds to be sent by registered mail and insured to Mr. Jacob Kulp, c/o Jacob Kulp & Co., 33 So. LaSalle St., Chicago, Illinois.

200 sh. Electric Bond & Share Co. No. TNY 37108-37109

400 sh. General Elec. Co. Common No. NYC 117936-6-7-40 Park View Manor Bldg 7s 1938
No. D855-856 M1051
Irving Park Station Chicago
Post Office Bldg 6½ 1935

No. 126-127
State of Ohio Columbus Parcel
Post Bldg. 61/2 1947

No. 491-2-3-4-5- No. 501-2-3-4 Yours very truly,

4/24/30
Received above mentioned
Stocks and Bonds.

9M

The Bank of U. S. George C. Feist /s/ Mgr.

States for the Northern District Court of the United States for the Northern District of Illinois, Eastern Division, is hereby authorized and directed to include in the record on appeal of Paul E. Darrow in this cause to the United States Court of Appeals for the Seventh Circuit and on any crossappeal in this cause to the United States Court of Appeals for the Seventh Circuit the originals, in lieu of copies, of the following exhibits in connection with the said hearings before Special Master Archie H. Cohen:

(a) Exhibits 3 and 4 of the Securities and Exchange Commission.

(b) Exhibits 7 to 12, both inclusive, of Paul E. Darrow, Former Trustee.

Dated: June 29th, 1949.

Deming Jarrett & Mulfinger Attorney for Stacy C. Mosser, Successor Trustee herein. Jacob B. Courshon Attorney for John W. Guild, Successor Trustee under Indenture of Mortgage. Thomas B. Hart J. Kirk Windle John Is Mayer Attorneys for Securities and Exchange Commission. Irving Herriott Urban A. Lavery Attorneys for Paul E. Darrow, Former Trustee.

897 And on the same day, to wit, on the 1st day of July, 1949 being one of the days of the regular June term of said Court, in the record of proceedings thereof, in said entitled cause, before the Honorable Walter J. LaBuy, District Judge, appears the following two (2) entries, to wit:

900

IN THE UNITED STATES DISTRICT COURT For the Northern District of Illinois Eastern Division

Caption—No. 58334-58335

ORDER

This matter coming on to be heard on the motion of Paul E. Darrow, appellant, regarding stipulation dated the 29th day of June, 1949 in regard to record on appeal, and it appearing to the Court that due notice of the hearing on said motion has been given to all parties entitled to such notice,

It Is Therefore Ordered:

1. That said stipulation be and the same is hereby ap-

proved; .

2. That the Clerk of the District Court of the United States for the Northern District of Illinois, Eastern Division, is hereby authorized and directed to treat and regard the copies of

(a) Exhibits 3 of April 10, 1946, 3a of April 10, 1946, 3b of April 10, 1946 and 3c of April 10, 1946 of Stacy C.

Mosser, Successor Trustee herein;

(b) Exhibits 2, 2a and 4 of Paul E. Darrow, Former Trustee;

901 (c) Exhibit I as of November 1, 1946 of John W. Guild Successor Trustee under Indenture of Mortgage;

(d) Objection: of John W. Guild as Successor Trustee under Indenture of Mortgage dated October 1, 1929, issued by the Debtor, Federal Facilities Realty Trust, to the Final Report and Account as supplement of Paul E. Darrow, Trustee;

(e) Stipulation by and between the above parties, by their respective attorneys of record, that Joseph Baumann received through the United States mail certain documents, that Joseph Baumann wrote and forwarded by United States mail to Myrtle Johnson certain letters, of which copies were produced by the said Joseph Baumann, that Joseph Baumann produced certain documents and that copies of certain documents enumerated in said stipulation are attached to the stipulation and shall be received in evidence, subject to the approval of the Court and subject to objections on the grounds of relevancy and materiality; and

(f) Copies of documents referred to in paragraph IV of the aforesaid stipulation described in paragraph

1(d) of the present stipulation;

which copies are contained in said stipulation, as originals, in compiling and preparing the record on appeal of Paul E. Darrow in this cause to the United States Court of Appeals for the Seventh Circuit and on any cross-appeal in this cause to the said United States Court of Appeals for the

Seventh Circuit: and

3. That said Clerk is hereby authorized and directed to include in the record on appeal of Paul E. Darrow in this cause to the United States Court of Appeals for the Seventh Circuit, and on any cross-appeal in this cause to the United States Court of Appeals for the Seventh Circuit, the originals, in lieu of copies, of the following exhibits in connection with the hearings before Special Master Archie H. Cohen:

902 (a) Exhibits 3 and 4 of the Securities and Exchange Commission;

(b) Exhibits 7 to 12, both inclusive, of Paul E. Darrow, Former Trustee.

Enter: Walter J. LaBuy, Judge.

Dated: July, 1949.

Examined and recommended for entry:

Martin Ward,

Special Master. Dated: June 30, 1949. 903

United States of America Northern Discrict of Illinois **|**ss :

I, Roy H. Johnson, Clerk of the United States District Court for the Northern District of Illinois, do hereby certify the above and foregoing to be a true and complete transcript of the proceedings had of record made in accordance with the Stipulation as to Consolidated Record on Appeal filed in this Court in the matter of: Federal Facilities Realty Trust, a Common Law Trust, No. 58334 and in the matter of: National Realty Trust, a Common Law Trust, No. 58335, as the same appear from the original records and files thereof now remaining among the records of the said Court in my office, excepting certain original exhibits, etc., incorporated herein by direction of this Court pursuant to Stipulations of the Parties.

In Testimony Whereof, I have hereunto subscribed my name and affixed the seal of the aforesaid Court at Chicago,

Illinois, this 5th day of July, 1949.

Roy H. Johnson, Clerk By Gizella Butcher, Deputy Clerk.

(Seal)

904

IN THE UNITED STATES COURT OF APPEALS
For the Seventh Circuit

(Caption—Nos. 9935-9936)

STIPULATION IN REGARD TO PRINTING TRANS-CRIPT OF RECORD

It Is Hereby Stipulated and Agreed by and between the parties hereto, namely; Paul E. Darrow, former trustee, as appellant in cause No. 9935 and cross-appellee in cause No. 9936, and John W. Guild, successor trustee under indenture of mortgage, as appellee in cause No. 9935 and cross-appellant in cause No. 9936, and Securities and Exchange Commission, as appellee in both causes, and Stacy C. Mos-

ser, successor trustee, as appellee in both causes; by their

respective attorneys as follows:

oript of Record in the aforesaid causes filed in this Court may be omitted from the Printed Transcript of the Record on the appeals in the aforesaid causes on the ground that such portions are irrelevant and immaterial to the

issues in these appeals:

1. Omit the last three pages of the secord of Archie H. Cohen, Special Master, on the final report and account of Paul E. Darrow, former trustee herein, etc., which three pages contain only a list of the documents and papers which it is hereby stipulated were duly transmitted by the said Special Master to the Clerk of the United States District Court for the Northern District of Illinois, Eastern Division (hereinafter referred to in this stipulation as the "District Court Clerk"), along with the aforesaid report and the first of which three pages bears the notation at the top "Papers transmitted herewith."

2. Omit the Transcripts of Proceedings had before the Honorable Archie H. Cohen, Special Master, commencing on October 25, 1944, to and including May 28, 1947, contained in three separate volumes, pages 1 to 2523, both inclusive, referred to in certificate of the District Court Clerk as having been filed with said Clerk on April 28, 1948. The Abstract of Record of said proceedings referred to in said certificate as having been filed with said Clerk on April 28, 1948 shall be printed and form a part of the Printed Transcript of the Record on the appeals herein in lieu of said Transcript of Proceedings contained in said three volumes, except omit the last seven pages of said Abstract on which Exhibits are tabulated. It is further stipulated that on page 144 of said Abstract with reference to page 1591 of the Original Transcript of Proceedings referred to in the margin of said page 144, the figure of \$50.00 in regard to

gin of said page 144, the figure of \$50.00 in regard to 906 the loan to Baumann should read \$50,000, and that on

page 158 of said Abstract with reference to page 1727 of the Original Transcript of Proceedings referred to in the margin of said page 158, the figure of \$307,000 in regard to the rental from the Government should read \$107,000.

3. Omit the following exhibits of the Securities and Ex-

change Commission:

Nos. 3, 4, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19 and 20.

4. Omit the following Exhibits of Paul E. Darrow, former trustee:

(a) Exhibits Nos. 11 and 12 on which said Paul Darrow

is described as respondent.

(b) Exhibits Nos. 2, 2a, 2b, 2c, 2d, 2e, 2f, 2g, 2h, 2i, 2j, 2k and 21, 3, 4 and 5, all of March 18, 1947, on all of which said Paul Darrow is described as "Darrow,"

(c) Exhibits Nos. 1, 2, 3, 4, 5 and 6, all of March 28, 1947, on both of which said Paul Darrow is described as

"Darrow,".

(d) Exhibits Nos. 1 and 2 of May 28, 1947, on both of which said Paul Darrow is described as "Darrow,"

(e) Copies of Exhibits Nos. 2 and 2a of Paul E. Darrow, former trustee, which Exhibits are contained in and form a part of the stipulation dated June 29, 1949, but the balance of said stipulation shall not be

omitted from printing.

5. Omit the Second Notice of Motion and the Second Motion following the certificate of the District Court Clerk that two notices of motions and two motions were filed with said Clerk on July 1, 1949, it being further stipulated that said Second Notice of Motion and said Second Motion refer to the stipulation described in paragraph No. 6 of the present stipulation.

6. Omit the stipulation dated June 30, 1949 in regard to a true and correct copy of the Transcript of an Adjourned Hearing on the Final Reports and Accounts as supple-

mented of Paul E. Darrow and Objections thereto and, 907 in addition, the copy of said Transcript forming a part

of said stipulation dated June 30, 1949 may also be omitted from the Printed Transcript of Record on the Ap-

peals herein.

7. Omit the Order entered July 1, 1949 by Judge Walter J. LaBuy in regard to the stipulation dated June 30, 1949 in regard to the Transcript of said Adjourned Hearing before Special Master Archie H. Cohen, which stipulation of June 30, 1949 is described in paragraph 6 of this stipulation. It is further stipulated that said Order is one of the two entries referred to in the certificate of the District

Court Clerk as appearing in the Record of Proceedings before Judge Walter J. LaBuy on July 1, 1949.

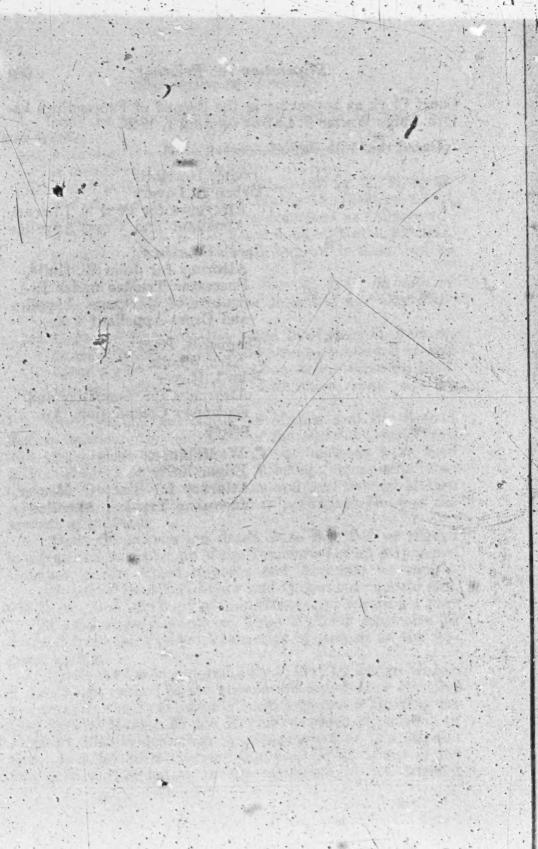
Dated this 15th day of August, 1949.

Irving Herriott
Urban A. Lavery
Attorneys for Paul E. Darrow,
Appellant and Cross-Appellee

Jacob Courshon
Attorney for John W. Guild,
Successor Trustee under Indenture of Mortgage, Appellee
and Cross-Appellant

Thomas B. Hart
J. Kirk Windle
John I. Mayer
Attorneys for Securities and
Exchange Commission, Appellee

C. W. Mulfinger
J. Edgar Kelly
Attorney for Stacy C. Mosser,
Successor Trustee, Appellee



UNITED STATES COURT OF APPEALS For the Seventh Circuit, Chicago 10, Illinois.

I, Kenneth J. Carrick, Clerk of the United States Court of Appeals for the Seventh Circuit, do hereby certify that the foregoing printed pages contain a true copy of the printed transcript of record, filed November 18, 1949, in:

In the Matter of Federal Facilities Realty Trust, a Common Law Trust, and National Realty Trust, a Common Law Trust,

Debtors.

Paul E. Darrow, Former Trustee,

Appellant,

No. 9935

178.

Stacy C. Mosser, Successor Trustee, et al., Appellees.

John W. Guild, Successor Trustee, etc.,

Appellant,

No. 9936

V8.

Paul E. Darrow, Former Trustee, et al.,
Appellees,

as the same remains upon the files and records of the United

States Court of Appeals for the Seventh Circuit.

In Testimony Whereof I hereunto subscribe my name and affix the seal of said United States Court of Appeals for the Seventh Circuit, at the City of Chicago, this 8th day of November, A. D. 1950.

(Seal) Kenneth J. Carrick,

Clerk of the United States Court of
Appeals for the Seventh Circuit,

Partition (Table) wind it is said the paid enter! evenue it it on that to patternal territories and the second and the second at charter have been a land and the time tensor a comment of their. na kanadaka kanada da kena ili kada bada ka<u>nada</u> a kanada bada ili kanad roboton i Said Target Barrell Brook William Strain to the second of the second of the second Commence of the state of the st Paul M. Barrey, Pormer Medice, is

At a regular term of the United States Court of Appeals for the Seventh Circuit, held in the City of Chicago and begun on the fifth day of October, in the year of our Lord one thousand, nine hundred and forty-eight, and of our Independence the one hundred seventy-third.

In the Matter of Federal Facilities Realty Trust, a Common Law Trust, and National Realty Trust, a Common Law Trust,

Debtors.

Paul E. Darrow, Former Trustee, Appellant,

Mary and a subsection

9935 vs.
Stacy C. Mosser, Successor
Trustee, et al.,

 Appellees.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division. And afterward, to-wit, on the seventeenth day of April, 1950, the following further proceedings were had and entered of record, to-wit:

UNITED STATES COURT OF APPEALS

For the Seventh Circuit, Chicago 10, Illinois.

Monday, April 17, 1950.

Before:

Hon. Otto Kerner, Circuit Judge. Hon. F. Ryan Duffy, Circuit Judge. Hon. Philip J. Finnegan, Circuit Judge.

In the Matter of Federal Facilities
Realty Trust, and National
Realty Trust,

Debtors.

Paul E. Darrow, Former Trustee,
Appellant,

9935 vs.

Stacy C. Mosser, Successor Trustee, et al.,

Appellees.

John W. Guild, Successor Trustee,

Appellant,

9936
Paul E. Darrow, Former Trustee, et al..

Appellees.

Appeals from the United States District Court for the Northern District of Illinois, Eastern Division.

Now this day come the parties by their counsel, and this cause comes on to be heard on the transcript of the record and the briefs of counsel, and on oral argument by Mr. Irving Herriott and Mr. Urban A. Lavery, counsel for appellant and cross-appellee Paul E. Darrow, Former Trustee, and by Mr. C. W. Mulfinger, counsel for appellees Stacy C. Mosser, Successor Trustee, et al., and by Mr. John I. Mayer, counsel for appellee The Securities and Exchange Commission, and by Mr. Jacob B. Courshon, counsel for appellee and cross-appellant John W. Guild, and the Court takes this matter under advisement.

And afterwards, to-wit, on the fourteenth day of August, 1950, there was filed in the office of the Clerk of this Court the opinion of the Court, which said opinion is in the words and figures following, to-wit:

IN THE UNITED STATES COURT OF APPEALS
For the Seventh Circuit.

October Term, 1949, April Session, 1950.

In the Matter of Federal Facilities Realty Trust, a Common Law Trust, and National Realty Trust, a Common Law Trust,

Debtors.

Paul E. Darrow, Former Trustee,
Appellant,

9935 vs.

Stacy C. Mosser, Successor Trustee, et al.,

Appellees.

John W. Guild, Successor Trustee, etc.,

Appellant,

9936 vs. Paul E. Darrow, Former Trustee.

Appellees.

Appeals from the United States District Court for the Northern District of Illinois, Eastern Division.

August 14, 1950.

Before KERNER, DUFFY and FINNEGAN, Circuit Judges.

FIRMEQ. N. Circuit Judge. Two appeals in separate reorganization proceedings under Section 77B of the Bankruptcy Act are involved in case 9935. They were ordered consolidated by the District Court. The first appeal is by Paul E. Darrow, former trustee of the Federal Facilities Realty Trust, a common law trust. The second is by the same Paul E. Darrow, former trustee of the National Realty Trust, also a common law trust. In these appeals Darrow seeks to reverse an order of the District Court, entered on April 12, 1949, which surcharged him as former trustee with the sum of \$43,447.46, and also to reverse all parts of such order which find that he was guilty of wrong doing or negligence as trustee in said proceedings.

Case 9936 is a cross appeal by John W. Guild, successor trustee under a trust indenture of mortgage issued by Federal Facilities Realty Trust on October 1, 1929. The cross appeal seeks to have this court declare a resulting trust in certain securities and assets of both Federal Facilities

Realty Trust and of the National Realty Trust.

It appears from the record that on October 15, 1943, Paul E. Darrow, as former trustee of the Federal Facilities Realty Trust, filed his final report and account, and that thereafter and on February 11, 1944, he filed, pursuant to the order of the District Court, detailed schedules supplementing his final report and account. It likewise appears that on October 15th, 1943, said Paul E. Darrow, as former trustee of the National Realty Trust, filed his final report and account, and on April 21, 1944 again pursuant to an order of the District Court, filed detailed schedules supplementing such final report and account.

On May 15th, 1944, the Securities and Exchange Commission filed objections to each of said final reports and accounts as supplemented. Objections were also filed by Stacy C. Mosser, as successor trustee in both reorganization proceedings. In the Federal Facilities Realty Trust proceedings, objections were also filed by John W. Guild, successor trustee, under a mortgage indenture of said Federal Facilities Realty Trust, dated October 1, 1929.

The various objectors to the trustee's reports and accounts of October 15, 1943, claim among other things, that discrepancies existed in his accounts; that there was a failure to show correct accrued interest and earnings on holdings of certain subsidiaries; that loans of trust funds were made and not accounted for; that items in operating expense were not properly explained; that profits made in trading with Jacob Kulp and Myrtle Johnson in bonds of subsidiaries were not stated; that the trustee failed to explain his actions in failing to prosecute certain causes of action; that the trustee's requested compensation should

not be allowed; that he failed to state profits he made in connection with the purchase, through one Goldman, of certain securities; that there was a failure to disclose commissions or discounts paid to the trustee on account of certain insurance purchases; and that there was failure to disclose fully business transactions and profits made with Colonial Securities Company.

The District Court referred the accounts and reports, together with the objections thereto, to a Special Master, directing him to conduct full and complete hearings and to report to the court his findings of fact and his conclu-

sions of law thereon.

The hearings began on October 25, 1944 and concluded on May 28, 1947. More than 2500 pages of testimony were taken. Counsel for the various parties conducted extended examination upon all matters contained in the reports and accounts of Darrow, as former trustee, and filed written briefs with the Special Master.

On April 29, 1948, the report of the Special Master was

filed.

It is pertinent to note here that Darrow's special report in Federal Facilities Realty Trust covers his entire trusteeship from April 25, 1935 to August 13, 1943. In the National Realty Trust proceedings Darrow filed a report on November 30, 1940 which was approved on January 31, 1941. In this proceeding therefore the report and account here involved covered the period from December 1, 1940 to August 13, 1943. The finding of the Master was:

"During the eight and one-third years of Darrow's trusteeship he filed no reports of his administration of Federal and only one of his administration of National."

On April 12, 1949, the trial court overruled Darrow's objections to the report of the Special Master, and surcharged him as former trustee with the sum of \$43,447.46 because of profits made by two of his employees in dealing in underlying securities, consisting of bonds of subsidiaries of the Debtor Trusts.

The order of April 12, 1949 further provides:

"The determination of the ownership of certain securities described (in the Master's report) as 'securities in Lot 2'; whether or not Paul E. Darrow should be further surcharged for profits made in dealing in the securities involved in Seligman v. Kulp;

whether or not Paul E. Darrow should be surcharged for conduct in connection with the purchase of certain assets of Kulp & Company by his employee, Mrytle Johnson; and whether or not Paul E. Darrow should be paid additional compensation requested in his final reports and account will undoubtedly throw further light on the question whether Paul E. Darrow should be allowed the requested compensation, and therefore the foregoing matters are referred to a Special Master, in accordance with the general order of reference entered herein June 10, 1948."

Said order of April 12, 1949, also reserves the right to make further orders.

There is little, if any, controversy as to the facts per-

tinent to the problems presented in these appeals.

For many years prior to 1929, one Jacob Kulp had been engaged in constructing buildings in various localities throughout the country. He had erected twenty-seven such buildings, the majority of which had been leased to the Government of the United States for post office purposes. He had caused corporations to be organized to take title to all these properties save one, which was later incorporated. Individually and through a corporation, Kulp and Company, which he appears to have controlled, he had marketed securities of these various corporations and also those of the one unincorporated property. From the beginning Mrytle Johnson was associated with Mr. Kulp in these activities.

In 1929 and 1930 Jacob Kulp and Miss Johnson caused two common law trusts, Federal Facilities Realty Trust and National Realty Trust to be created. Thereupon Kulp transferred to Federal all of the capital stock of fourteen of these building corporations, and to National he transferred the stock of twelve such building corporations together with the title to the one (then unincorporated) piece of property. These building corporations and the unincorporated piece of property had various outstanding bond issues. They and their securities are referred to through-

out the record as "subsidiaries."

When the common law trusts were organized certificates of beneficial ownership were issued. Most of these went to Jacob Kulp in exchange for the stock of the building corporations and for title to the unincorporated property. Federal Facilities Realty Trust also issued bonds in the

principal amount of \$550,000, of which Kulp received \$300,-000 in principal amount as additional consideration for the transfer of stock in the fourteen building corporations turned over to that trust.

The securities of the subsidiaries had been marketed by Jacob Kulp through Kulp and Company, as well as by other organizations dealing in such securities. Kulp and Company also managed the various subsidiaries, and their properties and also other property not involved in these proceedings.

In 1931, Kulp and Miss Johnson organized the Colonial Securities Company, which engaged in general securities business in Chicago, and dealt in the securities of

the subsidiary corporations.

Some time before 1933, the Post Office Department of the United States changed its policy of renting post of fices and inaugurated a policy of erecting its own buildings. This made it difficult, if not impossible, to refinance the subsidiaries of the Federal Facilities and National Trusts because it was found that the Post Office Department would not renew existing leases. An investigation was made by the Department of Justice of the Federal and National Common Law Trusts and their subsidiaries. As a result Kulp, in July 1933, transferred all of the Certificates of Beneficial Ownership of Federal and National, together with his Collateral Trust Bonds issued by Federal to a Trustee, George H. Andresen, under a trust agreement referred to in the record as the Andresen Trust. Thereafter Andresen through Federal and National took over the management of the twenty-seven subsidiaries and continued such management for nearly two years, or until the appointment of Darrow as trustee. During all of Andresen's administration of Federal and National Trusts and their subsidiaries, he employed Jacob Kulp and Miss Johnson on a part-time basis, with the agreement that they would be allowed to operate the business of their Colonial Securities Company.

The present proceedings were instituted on December 26, 1934, by petition under Section 77B of the Bankruptcy Act. filed in the District Court for the Northern District of Illinois, which on April 25, 1935, entered an order approving the petitions as properly filed under said section

of the Bankruptcy Act.

Paul E. Darrow was appointed trustee of Federal Facilities on April 25, 1935, and on May 24, 1935, he was ap-

pointed trustee of National Realty. He continued to act as trustee in both estates until his resignation August 13, 1943.

The orders appointing Darrow provided that he be directed and authorized to operate, maintain, and continue the business of the debtors and to manage their property until the further order of the court; that he should have and exercise, consistently with the provisions of Section 77B, all the powers of the trustee appointed pursuant to said section, subject at all times to the control and order of the court, and to such limitations and conditions as the court might from time to time impose and prescribe; that he should have full power and authority to do all things necessary or convenient to operation of the business and maintenance and preservation of said estates; that he be vested with all the rights, powers, and authority of a trustee in bankruptcy and of a receiver in equity.

After the appointment and qualification of Darrow, the former trustee, George Andresen, recommended to him that he employ Jacob Kulp and Myrtle Johnson to assist him. It was pointed out that they were well qualified to assist because of their intimate knowledge of the workings of the trusts and their subsidiaries. However, Miss Johnson and Kulp made it clear that they would remain as part-time employees only on condition that they be allowed to continue to operate in the securities business through Colonial Securities Company. Darrow employed them on a part-time basis, and they continued to operate Colonial, in the same way that had been practiced during

their employment by the Andresen trust.

As we have pointed out, the record herein is so voluminous that it would be impracticable to detail in full the conduct of those trusts by Darrow and his employees, Johnson and Kulp. Consequently, we will consider only those matters which have a direct bearing upon the question presented by these appeals.

First, we consider Darrow's dealings in the purchase

of securities.

It was Darrow's policy, as trustee, to acquire by purchase outstanding defaulted bonds of the various subsidiaries. During the eight years of his trusteeship he persevered in that policy and bought from individual bondholders and from dealers in securities, including Colonial operated by Miss Johnson and Jacob Kulp, subsidiary bonds of the total par value of \$2,414,600. Due in large

part to these purchases, the obligation of the subsidiaries (which were principally outstanding bonds) were reduced, during his eight years of trusteeship, from \$7,611,-

700 par value to \$5,197,100 par value.

These securities were purchased by Darrow partly for the debtor trusts, but the far greater part were acquired for the subsidiaries. At the time of his resignation, he held as trustee for Federal and National \$437,800, in principal amount, of bonds which Darrow had acquired at a total cost of \$79,333.80. These bonds, on his resignation, had a market value of \$164,279, and in addition the debtor trusts, Federal and National had received on the bonds purchased for them the sum of \$45,907.15 in interest. Therefore, the appreciation in market value of the subsidiary bonds, plus the interest received thereon, establish as a benefit to the debtor trusts from the transactions in the bonds, which amounts approximately to the sum of \$130,700. The Special Master in his report gives a breakdown of these figures.

He finds that, in the instance of Federal Facilities Trust, the total cost of all its subsidiary securities purchased by Darrow, was \$31,864.55. Each of these bonds was bought by him at the prevailing market price. At the time of his resignation the bonds had a market price of more than \$38,000. The testimony was that at the time of hearing before the Special Master the market price of these securities was more than \$87,100. It is further reported that up to that time the debtor trust, Federal Facilities, had received \$24,494 in interest on these securities.

In the case of National Realty Trust, the total cost of subsidiary securities purchased by Darrow was \$47,469.25. Again each of these was purchased at the market price. At the date of Darrow's resignation these bonds had a market value of \$56,635, and the testimony was that the market value, at the time of the hearings before the Master, was \$77,179. It was further then reported that up to that time the debtor trust National had received \$21,412.81 in interest on these securities.

As a matter of fact, the Special Master reports:

"As of the date of Darrow's resignation there had been a loss on only one group of bonds purchased. The loss on certain Quincy Station Post Office Building Corporation Second Mortgage bonds (a subsidiary of Federal Facilities) amounted to \$200. Interest on these collected up to that time, however, amounted to

\$1,966.25. On September 25, 1946, Miss Johnson stated that the value of these bonds had risen substantially since Darrow's resignation."

It is pertinent to note here that at the time of the filing of Darrow's final reports, practically all of the subsidiary

corporations had been re-organized.

During his administration Darrow had likewise acquired from the First National Bank of Chicago for the sum of \$12,000 Collateral Trust bonds issued by Federal Facilities, amounting in par value to \$84,000. If on reorganization these bonds are found to be worth par, and this expectation seems to be reasonable, there would be a substantial benefit to the Federal Facilities estate. In the meantime, of course, that debtor trust is relieved from the payment of interest on these bonds.

The Special Master found in his report:

"There is not a scintilla of evidence to prove that Mr. Darrow profited in any sum whatsoever through his trading in securities of the trusts and the subsidiaries, but it is clear that Mr. Darrow failed to exercise due care and prudence in the administration of the trust estates."

II. Now we proceed to an examination of the so-called

Seligman transaction.

Prior to the appointment of Darrow as trustee, suit had been instituted in the Superior Court of Cook County, Illinois, by one Seligman against Jacob Kulp. The suit sought the appointment of a receiver to take possession of certain securities which Kulp had turned over to the trustee in the Andresen trust.

A receiver was appointed and there were turned over to him 62,358 units of beneficial ownership in Federal Facilities and 10,761.6 units of beneficial ownership in National, together with Collateral Trust Bonds of Federal in the principal sum of \$286,100. There were also delivered to the State Court Receiver \$199,000 in par value of bonds of subsidiaries of Federal and National.

On May 6, 1938, these securities were sold at public sales by order of the Superior Court of Cook County, Illinois.

The Special Master reports:

"That long before the sale was decreed he (Darrow) evidently felt that the purchase of those securities by him would be beneficial to the trusts, and instructed his attorney to seek permission of the Court (the

United States District Court) to bid for the securities. Such permission was denied him for reasons which were never brought out in the testimony."

The securities to be offered for sale under the State Court's decree were divided into two lots, known as Lot 1 and Lot 2. Lot 1 embraced the bonds of the subsidiaries and Lot 2 the units of beneficial ownership in the debtor trusts, and the Collateral Trust bonds of Federal Facilities.

Prior to the sales, Miss Johnson and Kulp, acting through Colonial, determined to make a bid for these securities up to \$25,000. They arranged for loans to carry out their intention. They procured a lawyer, Goodman, since deceased, who was attorney for the petitioning creditors herein, to act on their behalf in effecting the purchase. Their bid was successful and they purchased the securities involved for a total cost, including commissions, of \$24,203.55.

On about May 16, 1938, Darrow agreed to purchase some of the subsidiary bonds in Lot 1 for \$12,447.55. He issued checks of the subsidiary corporations involved for that amount on May 18, 1938. The sale under decree had been reported and confirmed but payment had not been made at

the time of this purchase by Darrow.

On May 19, 1948, payment was made and the securities delivered. It is undisputed that the checks issued by Darrow to Colonial were used in making the payment due under the bid. The prices paid by Darrow for these securities were substantially the market price at that time,—
"the prices at which the securities were selling or that we had paid for the securities."

The record shows that at the time of the hearings before the Master these securities had a market value of

\$31,195.

Securities in Lot 1 of the par value of \$10,000 were given to the persons who had loaned or agreed to loan Miss Johnson the funds necessary to effectuate the purchase—a gentleman named Levy and another named Peterson who is related to Miss Johnson. The balance of the subsidiary securities were sold to the general public for \$19,457.50.

The securities in Lot 2 were not disposed of, they were at the time of the hearing before the Master, and still are under the control of the District Court. There is no testimony as to their value. These are among the securities

involved in the cross appeal.

The Special Master surcharged Darrow for alleged profits of his employees in the Seligman transaction with the sum of \$10,701.50, and recommended that a further surcharge should be made in the future if any profits are realized from the sale of Securities in Seligman Lot 2.

III. The items of surcharges recommended by the Special Master and confirmed by the District Court, are shown

in the following table:

 Λ

Sales by Employees Direct to Darrow Profits on sales for account of Fed-	
	6 4.UDI.DU ·
Profits on sales for account of Na-	4,572,50

Total profits on these sales to Darrow..... \$ 8,624.10

E

Sales	by Employ	rees to Gen	eral Publi	C ÷
Pro	fits on sal	es of Fede	eral securi	44
1	es to gen	eral public		.\$10,044.36
Pro	fits on sal	es of Natio	nal securi	
	es to gen	eral public		. 14,077.50
	ico en Per			

Total profits on sales to public...... 24,121.86

C

Surcharges a	gainst Darrow for in Seligman transa	alleged profits t	A10 701 50
employees	in Seligman transa	ction	.\$10,701.50

Grand total surcharges against Darrow \$43,447.46

The Darrow appeals present the question as to whether or not the surcharges were properly imposed against him under the facts and circumstances disclosed in this record. In Remington on Bankruptcy, Section 2965, it is said:

"The Receiver is bound to exercise due diligence in the selection of employees and in informing himself as to whether the business is being conducted at a profit or a loss.

"A receiver will not be surcharged." where he has exercised due diligence in the selection of a book-keeper and superintendent even though in fact those

In his work on Trusts, Scott Reporter on that subject. for the American Law Institute says, in volume 2 on page 1190.

"Sec. 225-A Trustee who employs an agent in the administration * * is not liable to the beneficiaries for losses resulting from the improper conduct of the agent unless the Trustee himself is guilty of a breach

of trust."

"Accordingly if in the administration of the trust the Trustee properly employs an agent who negligently loses trust property entrusted to him or misappropriates such property or otherwise causes a loss to the trust estate the Trustee is not liable to the beneficiaries for the loss."

Perry on Trusts, says in volume 3 on page 683 (7th

edition):

"Sec. 409 . . . A Trustee who has used reasonable care in the selection of his agents for the performance of ministerial duties and who has been reasonably prudent in his supervision of the acts of the agents is not required to make good to the trust estate a loss or damage caused by the negligence or dishonesty of the agent, provided the duties delegated were such as the Trustee could properly delegate. The standard of reasonable conduct in such cases is the care which an ordinarily prudent man would exercise in the management of his own property."

In the case at bar, the Special Master whose findings and conclusions are concurred in by the District Court has reported that in view of the information available to Darrow at the time he hired Johnson and Kulp, it cannot be said that he was derelict in this respect. If after such employment Darrow was obliged to exercise "the care of an ordinarily prudent man in the management of his own property," it is difficult to see why he should be surcharged under the facts disclosed in this case. His supervision of the trust estate would disclose that the debtor troots were being largely benefited by the fact that he was enabled to purchase from such part time employees at market prices, the securities of their subsidiaries.

Again, the finding of the Special Master must be borne

in mind.

"There is no evidence that Darrow participated in any explicit scheme or plan to defraud the trusts.

In the brief filed on behalf of Darrow, it is claimed that the appellees did not in the court below, and could not in this court, present a single bankruptcy case which sustains the theory of the trial court in assessing the surcharges against him. Appellant, on the other hand, cited and discussed a number of such cases, going as far back as an English bankruptcy case in 1794, Ex parte Belchier (1 Amb. 218; 27 Eng. Reprint 144).

In that case there was a question of the liability of an assignee in bankruptcy who had employed a broker to sell certain tobacco belonging to the estate. The broker sold the property, and received the money therefor, but failed to turn it over to the assignee. Later the broker died insolvent. The trial court held the assignee liable. Lord Hardwick, then Lord Chancellor of England, reversed the holding and said:

"If an assignee is liable in this case no man in his senses would act as assignee under the Commissioners in Bankruptey. This court has laid down a rule with regard to the transaction of assignees and more so of trustees so as not to strike terror into mankind acting for the benefit of others and not for their own."

The case was followed in Speight v. Gaunt (1883), 22 Ch. 727, which also reversed an order of the trial court surcharging a trustee. In the Gaunt case a testamentary trustee had available for investment a large sum of money. The testator in his lifetime had done business with a certain firm of stock brokers. The trustee knew of this and consulted the same firm in and about the trust business. One of the partners in the brokerage firm duped the trustee and got physical control of the estate's funds without investing any of it. He later absconded so that the entire sum was lost. The Chancery Court reversed the trial court, and the order was sustained by the House of Lords. The Lord Chancellor said:

"In the early case of ex parte Belchier (1 Amb. 218) before Lord Hardwick, it was determined that "when according to the usual and regular course of business, "and without any misconduct or default on the part of the Trustee, a loss takes place, through any fraud or neglect of the agents employed, the Trustees are not liable to make good such loss. That authority has ever since been followed."

Coming to cases in our own country, appellant cites Evans v. Williams, 276 Fed. 650. In that case the Hitt Lumber & Box Company was the bankrupt and creditors insisted that Evans, the Trustee, should be subjected to a surcharge by the court 'for losses incurred in the operation of the business.' The matter was referred by the court to a Referee, who held a hearing, as a result of which he recommended a surcharge against Evans for the sum of \$11,759.51 * . The District Court confirmed the surcharge against Evans, who thereupon appealed. The Court of Appeals reversed the surcharge against the Trustee and announced the law as set forth below. The Appeals Court said on page 657:

"The receiver could not, and of course was not expected to, manage a business of this magnitude without expert assistants. He did employ a competent and experienced man as general manager and another competent and experienced man as bookkeeper. Had he failed to do this, he would have been guilty of gross negligence. While it is suggested that these men purposely falsified the accounts and delivered to him false inventories, nevertheless it is not contended that the receiver had any reason to believe that these inventories and accounts were not correct,

"Taking these facts into consideration ", this court has reached the conclusion that his failure (to discover the falsity of the employee's report) was not such negligence on his part as would entitle the creditors to recover from him personally the losses sustained ". Therefore the judgment of the District Court is reversed."

In the Marcus case, 2 Fed. Sup. 524, a Bankruptcy Receiver appointed by the Federal Court was operating a chain of grocery stores in the City of Pittsburgh. In that case, the business side of the Bankruptcy Proceedings was complicated. Accordingly, the Receiver, without any specific court authority whatever, proceeded to retain and employ as part time employees two of the Marcus brothers themselves, the individuals for whose questionable dealings the stores had been brought to bankruptcy. During the period that the Receiver employed the two Marcus brothers, they had secretly stolen \$31,000 worth of merchandise from the various store buildings, and had

also stolen \$53,000 in cash while helping to operate the business. On that set of facts the Referee in Bankruptcy had surcharged the Receiver for both of those items a

total of \$84,000.

Judge Schoonmaker reversed the decision of the Referee and held that the Receiver should not be surcharged in any respect whatever. In so doing the Court announced the doctrine that there must be some "personal fault" on the part of a Trustee in such a situation to render him liable to be surcharged for the wrongdoing of his employees. In so holding Judge Schoonmaker said:

"We take it to be elementary law that a Receiver will not be personally liable for losses sustained in the administration of an estate where he exercises good faith and ordinary care and prudence; nor will he be held for losses resulting by reason of the negligence of his employees without personal fault on his part in matters necessarily or properly committed to them in the management of the trust property.

"The Pennsylvania Courts I believe lay down the correct rule, i. e. that a receiver is liable to surcharge only when guilty of fraud or supine negligence equiv-

alent to fraud."

Judge Schoonmaker's language about "personal fault" and "supine negligence" comes directly from the opinion of the Supreme Court of the United States in the early case of Taylor v. Benham, 5 How. 233, 12 L. Ed. 130.

The Marcus case was affirmed 67 F. 2d 1008, and the

Supreme Court denied certiorari in 291 U.S. 679.

In re Portex Oil Co., 43 Fed. Sup. 859, and in re Berger Kosher Sausage Co., 129 F. 2d 62, decided by this court,

are likewise cited on behalf of Darrow as appellant.

In the Berger Sausage Company case, a bankruptcy proceeding in the District Court of Illinois, the Empire Packing Company, a creditor, had filed objections to the Trustee's account, asking that the Trustee be surcharged for two items: First, for losses incurred in the operation of the sausage business by the Trustee; and second, because the Trustee had allowed one of his employees to conduct a side-line business at the same time he was acting for the Trustee, at a substantial "profit" to himself. In the Sausage Company case the court directed the Referee in Bankruptcy to make an investigation of the facts and report back, which the Referee did, finally concluding that there should be no surcharge against the Trustee.

It appeared that "very large losses" had been incurred by the Trustee in the operation of the business after his appointment as Trustee; "that the Trustee's methods of bookkeeping were not of the best"; that the employee "had no previous experience in such business"; that the employee "during his employment" had engaged in a side-line business and had "opened up a retail outlet with money borrowed" from the Trustee himself; and finally, that "after the sale of the bankrupt estate, the employee and two principal stockholders of the bankrupt concern, went into the sausage business with money largely bor-

rowed from the Trustee, without security.".

Certainly if Darrow's employees conducted themselves in such fashion as to justify the Court surcharging Darrow for the "profits" which they made in their part time business, then such a surcharge should have been made in the Sausage Company case. However, the Referee held that "the evidence was insufficient to surcharge the Trustee for any wrongdoing while acting as Trustee in Bankruptcy." The District Court (Judge Woodward) confirmed the Referee's Report, whereupon the Objecting Creditors appealed to this Court, where the judgment of the District Court was affirmed. The opinion of this Court is of such significance that we quote the following passage from it:

"The general rule is that receivers are not chargeable with loss as resulting from their operation of the business, although it is their duty to exercise diligence in selecting competent employees and informing themselves as to the profits and losses from such operation. See Remington on Bankruptcy, 4th Ed., Secs. 446, 2662 and 2965. The degree of diligence exercised, we think, is a matter for the bankruptcy court to determine." (from the facts of each case.)

The appellees have not met the challenge of the appellants. The brief filed on behalf of the Securities and Exchange Commission cites no case which supports, or even tends to support, the surcharges made against Darrow in the case at bar. They quote at length only a single case, American United Mutual Life Ins. Co. v. City of Avon Park, 311 U. S. 138-146. In that case a Florida city was seeking a composition of its debts under the Bankruptcy Act. In the language quoted therefrom, the Supreme Court was criticizing the "fiscal agent" of the city who

had solicited claims against the city from the public and had purchased them at a discount for its own private benefit. The situation is in no way comparable to the case at bar.

The brief filed on behalf of the successor trustee, Mosser, likewise fails to cite a single relevant case. The first point urged in that brief is that a trustee may not deal with his trust in such a way as to make a personal profit for himself, and that consequently he should be surcharged for allowing his agents and employees to make profits which he could not himself make in equity. No authority is cited to sustain the last clause of the statement.

In the Mosser brief Macgruder v. Drury, 235 U. S. 106, is discussed. In that case a testamentary trustee had purchased for his trust estate some real estate securities. The securities were bought through a brokerage firm of which the trustee himself was a member, and this firm had received profits by way of commissions for the purchases. Clearly the trustee was responsible to the estate for the profits so made—and the Court so held.

The brief filed on behalf of the Indenture Trustee Guild merely adopts the arguments and citations of the other

appellees on this phase of the case.

We are convinced that the District Court was in error in surcharging Darrow with the items enumerated, under the facts and circumstances shown in the record. That portion of the order making the surcharge is reversed.

We cannot, however, agree with appellant's contention that Darrow was guilty of no negligence as trustee; we agree with the District Court that Darrow's failure to file

reports showed a woeful neglect of duty.

The theory of the cross appeal is that part of the securities purchased by Miss Johnson in the Seligman case, referred to as Lot 2, should be impressed with a resulting trust in favor of the successor trustee of the debtor trusts. A similar contention is made with reference to certain accounts receivable which were acquired by Miss Johnson in a sale conducted by the Trustee in Bankruptcy of Jacob Kulp & Company. These matters are being urged only by the Indenture Trustee, under a deed of trust by Federal Facilities. Neither the Securities and Exchange Commission, nor Stacy C. Mosser, successor-trustee of the debtor trusts, join in the contentions or arguments presented in support thereof. The principal argument adduced on behalf of the cross-appeal is that Darrow as trustee ad-

vanced the money used to make the purchases at these judicial sales. The evidence is that other persons, Levy and Peterson agreed to loan, and actually did loan Miss Johnson, certain sums to be used in making such purchases. Both these contributors, as well as Miss Johnson, would be indispensable parties to a bill to declare a resulting trust. They are not parties to nor represented in the proceeding now before the court. This is merely a hearing on the final accounts and reports of Darrow as trustee for the debtor trusts.

Moreover, the District Court in its order of April 12, 1949, reserved for future decision "the determination of the ownership of certain securities as securities in Lot 2," as well as "whether or not Darrow should be surcharged for conduct in connection with the purchase of certain assets of Kulp & Company by his employee, Miss Johnson." These matters (with others) were referred to a special master, and the court reserved the right to make further

orders in connection therewith.

In addition we are given to understand, by a motion asking leave to present oral argument herein, that these very matters are now being heard and litigated under the orders of the trial court. Consequently, on this record in appeal 9936 we are not now passing upon the question of a resulting trust, nor any of the other questions that are covered in Judge Campbell's order with reference to the Seligman transaction, nor other matters reserved by the District Court for further consideration.

The order of the District Court of April 12, 1949, so far as it surcharges Darrow with the items detailed is re-

versed; in all other respects said order is affirmed.

None of the parties shall recover costs on these appeals.

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And on the same day, to-wit, on the fourteenth day of August, 1950, the following further proceedings were had and entered of record, to-wit:

UNITED STATES COURT OF APPEALS

For the Seventh Circuit,

Chicago 10, Illinois.

Monday, August 14, 1950.

top A. stelement

Before:

TELL AND THE

Hon. Otto Kerner, Circuit Judge. Hon. F. Ryan Duffy, Circuit Judge. Hon. Philip J. Finnegan, Circuit Judge.

In the Matter of Pederal Pacilities
Realty Trust, a Common Law
Trust, and National Realty Trust,
a Common Law Trust,
Debtors.

Paul E. Darrow, Purmer Trustee,
synellines,
Stacy C. Museer, Surmaner
Trustee, of al.,
pacifics.

United States District Court for the Northern District of Illinois, Eastern Division.

This cause came on to be heard on the transcript of the record from the United States District Court for the Northern District of Illinois, Eastern Division, and was argued by counsel.

On consideration whereof, it is ordered and adjudged by this Court that the order of the said District Court of April 12, 1949, in this cause appealed from be, and the same is hereby, Reversed so far as it surcharges Paul E. Darrow with the items detailed, and in all other respects the said order is Affirmed.

It is further ordered by this Court that none of the par-

ties shall recover costs on this appeal.

And afterwards, to-wit, on the twenty-fifth day of August, 1950, the following further proceedings were had and entered of record, to-wit:

United States Court of Appeals

For the Seventh Circuit,

Chicago 10, Illinois.

August 25, 1950.

Before:

Hon. Otto Kerner, Circuit Judge.

In the Matter of Federal Facilities Realty Trust and National Realty Trust,

Debtors.

Paul E. Darrow, Former Trustee,
Appellant,

9935 vs.

Stacy C. Mosser, Successor Trustee, et al.,

Appellees.

John W. Guild, Successor Trustee, Etc., Appellant.

9936 vs.
Paul E. Darrow, Former Trustee,

et al.,
Appellees.

Appeals from the United States District Court for the Northern District of Illinois, Eastern Division.

Pursuant to stipulation of counsel, it is ordered that the time within which the Appellees may file their petition or petitions for rehearing in the above entitled matters be, and the same is hereby, extended to and including September 11, 1950.

And afterwards, to-wit, on the eleventh day of September, 1950, there was filed in the office of the Clerk of this Court a petition for rehearing, which said petition for rehearing is in the words and figures following, to-wit:

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In the

United States Court of Appeals

For the Seventh Circuit

No. 9935

In the Matter of Federal Facilities Realty Trust, a Common Law Trust, and Mational Bealty Trust, a Common Law Trust,

Debtors.

PAUL B. DARROW, Former Trustee, Appellant,

STACY C. MOSSES, Successor Trustee, of al., Petitioners-Appellees.

PETITION FOR REHEARING.

Roger S. Foster,

General Counsel,

425 Second Street, N. W.,

Washington 25, D. C.,

THOMAS B. HART;

Regional Administrator,

105 W. Adams Street.

U. S. C. A.-7
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KENNETH J. CARRICK J.
CLERK

Chicago 3, Illinois,
Attorneys for Securities and
Exchange Commission, Appellee.

C. W. MULPINGER, J. EGGAR KELLY,

Attorneys for Stacy C. Mosser, Successor Trustee, Appellee.

JACOB B. COURSHON, DAVID J. RATNER,

Attorneys for John W. Guild,
Successor Trustee under Indenture of Mortgage, Appellee.



In the

United States Court of Appeals

For the Seventh Circuit

No. 9935

In the Matter of Federal Facilities Bealty Trust, a Common Law Trust, and National Bealty Trust, a Common Law Trust,

Debtors.

PAUL E. DARBOW, Former Trustee, Appellant,

STACY C. MOSSEB, Successor Trustee, et al.,
Petitioners-Appellees.

PETITION FOR REHEARING.

To the Honorable Judges of the United States Court of Appeals for the Seventh Circuit:

Comes now Stacy C. Mosser, successor trustee of Federal Facilities Realty Trust and of National Realty Trust, the Securities and Exchange Commission, and John W. Guild, as successor trustee under an indenture of trust securing the outstanding bonds of Federal Facilities Realty Trust, dated October 1, 1929, appellees in this proceeding, and file this petition for rehearing of consolidated appeals bearing Number 9935, in which judgment was rendered by this Court reversing the judgment of the United States

District Court for the Northern District of Illinois, Eastern Division, the said judgment of this Court having been rendered on the 14th of August, 1950; and for grounds thereof respectfully represent that the Court's opinion rendered August 14, 1950, indicates that certain material matters of fact and law were overlooked.

At page 4 of the opinion, the Court states: "There is little, if any, controversy as to the facts pertinent to the problems presented in these appeals." Appellees agree that there is no material dispute as to what the basic facts are, i. e., that Kulp and Johnson, while employed by the trustee, made large profits trading in securities relating to the trusts, including substantial sums made in direct sales to the trusts. We believe, however, that the Court failed to appreciate the confidential nature of the employment of Kulp and Johnson and its relation to the trading from which they profited. This is indicated by the Court's references to the "part time" basis of their employment (Opinion p. 6), and to the "market prices" at which the securities were sold to the estate (pp. 7, 11).

During Darrow's trusteeship, Miss Johnson had complete supervision over the office, handled inquiries and complaints, advised Darrow on all phases of management, assisted in the reorganization of the subsidiaries, and had available to her complete data concerning the trusts and the subsidiaries (R. 152, 108, 188, 190, 206, 209-10). She was the best informed person in the organization and enjoyed an effective acquaintanceship with a large percentage of the bondholders (R. 153, 200, 206-7, 281-2, 295, 338). She

enjoyed Darrow's complete confidence, and it is clear from the record that he depended to a large extent upon her ability and judgment, even with respect to determinations which would affect the prices at which bonds would be purchased for the trusts (R. 152, 200, 211, 217-18). Kulp managed the physical properties for Darrow and enjoyed his complete confidence. He also had access to all records and information in the office (R. 182, 199-200, 217-18). These facts created an intense fiduciary relationship requiring fidelity of the highest order.

As this Court found (Opinion p. 6), it was Darrow's policy as trustee to acquire by purchase outstanding bonds of the various subsidiaries. Although the Court stated that these bonds were purchased at the market, there is no evidence in the record that there was any established market price for the securities involved other than Miss Johnson's own references to the market price. The only substantial market place for these securities appears to have been the trustee's office, in which Kulp and Johnson worked, and the only "market" prices for these securities, apart from the trust, were those prices which Kulp and Johnson set. The Special Master found (R. 514):

"Thus, when bondholders came into the office desiring to sell bonds Miss Johnson knew what price Darrow was paying (Tr. 721) and purchased at a price below that figure (Tr. 722, 1866). She told the security holders that they were getting the 'market price' for their bonds (Tr. 1863) and purchased on her own behalf or on behalf of Colonial. The bonds so purchased were subsequently resold to Darrow (Tr. 1864). In

almost every case Miss Johnson or Colonial made a profit (SEC Exs. 5 and 6). Occasionally Colonial sold bonds at cost or less (Tr. 1646), but Miss Johnson testified that she, personally, always sold at a profit (Tr. 1818, 1819)."

Upon the basis of these facts, the Special Master and the Court below found that Kulp and Johnson, while serving in a confidential and fiduciary capacity, had realized profits in the aggregate amount of \$43,447.46 from trading in securities of the debtors.

On page 6 of the Opinion, this Court found that Johnson and Kulp were well qualified to assist Darrow because of their intimate knowledge of the trusts and their subsidiaries. It was this very fact which of itself made them fiduciaries. This Court, however, gave no weight to this finding and ignored the conclusion of the Special Master and the District Court that Kulp and Johnson were fiduciaries and, as such, were forbidden from dealing in the securities of the debtors. We respectfully submit that the finding of the Special Master, affirmed by the District Court, as to their fiduciary relationship should not be overturned without finding it to be clearly erroneous.

It has been generally recognized by the courts that fiduciaries are required to observe the strictest standards of conduct in the handling of their duties and obligations. Under accepted equitable principles, a fiduciary is precluded from realizing a profit out of his trust position, Magnuder v. Drury, 235 U.S. 106, 59 L. Ed. 151 (1914); Jackson v.

Smith, 254 U. S. 586, 65 L. Ed. 418 (1921). It is no defense in an action involving profits by a fiduciary that the transactions were effected through the medium of a corporation, In re Norcor Mfg. Co., 109 F. (2d) 407 (C. A. 7, 1940). Thus the profits obtained by Jacob Kulp and Myrtle Johnson, either directly or through their corporation, were inequifably procured and must be characterized as unlawful gains.

The Special Master and the Court below found that Kulp and Johnson had engaged in their trading activities with Darrow's knowledge and acquiescence. Had the trustee himself traded in the subject matter of his trust in violation of his fiduciary obligations, there can be no question that he would be liable to the trust for any profits which he made regardless of profit or loss to the trust. This Court appears to recognize, at page 17 of its opinion, the fact that fiduciaries are precluded from trafficking in the subject matter of their trust, but refuses to impose liability on the trustee for the known misconduct of the trustee's agents or employees. In this connection the following language contained in Scott's Law of Trusts, Volume II, Section 225.1, p. 1191-2, is significant.

"Where the Trustee is Himself at Fault

The Trustee is liable for the acts of an agent employed by him in the administration of the trust if the trustee is himself guilty of a violation of a duty to the beneficiaries. Thus where the agent does an act which

^{1.} Indeed, it has recently been held by a state court that any employee who acts for his own benefit upon confidential information derived from his employment is liable for the profits made therefrom, even though injury to the employer could not be shown. Brophy v. Cities Service Co., 70 A. 2d 5 (Del. Ch., Dec. 1949).

if done by the trustee would constitute a breach of trust, the trustee is liable if he directed or permitted the doing of the act. He is liable if he improperly delegates to an agent the performance of acts which he was under a duty personally to perform. He is liable for the act of an agent employed by him in the administration of the trust, if he did not use reasonable care in the selection or retention of the agent. The trustee is liable for acts of the agent if the trustee has failed to exercise proper supervision over the conduct of the agent. He is liable if he unnecessarily entrusts money or securities of the trust or title deeds or other property to an agent, or permits the agent unnecessarily to retain the property, with the result that the agent misappropriates it. He is liable where the agent does an act which if done by the trustee would be in breach of trust, if the trustee approved or acquiesced in or concealed the act of the agent. The trustee is liable if the agent does an act which if done by the trustee would be in breach of trust, if he does not take proper steps to compel the agent to redress the wrong." (Emphasis supplied.)

The only effective way in which courts can assure the beneficiaries of trusts that their trustees will not knowingly permit improper acts to occur by agents or employees of trusts is to require the trustee to be held liable if he knowingly allows such acts to occur. There is no other effective sanction available to the court, and consequently it is imperative that trustee Darrow be surcharged for knowingly permitting his employees to engage in improper conduct in accordance with the order of the lower court.

In overturning the decision of the Court below, this Court cited In re Breger Kosher Sausage Co., 129 F. (2d) 62 (C. A. 7, 1942). It is significant to note that the opinion in the Breger case quotes language from U. S. v. Howard, 96 F. (2d) 893, 896 (C. A. 7, 1938), a prior decision of this Court, to the effect that "trustees and oll other fiduciaries are forbidden from dealing in their own behalf with respect to matters involved in the trust, and this prohibition operates irrespective of good faith, or bad faith, of such fiduciaries." (Emphasis supplied.) Although the trustee in the Breger case was absolved from liability, the case is clearly distinguishable for the Court there stated that the findings of the referee showed after painstaking inquiry no evidence to support the allegation of misconduct. In the instant case, both the Special Master and the bankruptcy court determined that the evidence fully supported the charges against Darrow and we submit that this Court should (as in the Breger case) follow the findings of the lower court which were also reached after long and painstaking inquiry.

It would appear that this Court's opinion is also bottomed upon the theory that since Darrow did not personally profit through his trading in the securities of the trusts and the subsidiaries, and since the trust estates did not suffer any loss and, in fact, profited through his various transactions in the securities of the debtors and the subsidiaries, Darrow could not be surcharged for profits made by his employees. It is true that there is no evidence that Darrow personally profited through his transactions

in the securities of the debtors and the subsidiaries. The fact that Darrow did not personally profit from the misdeeds of his trusted employees, however, should not be determinative. To so hold would in any case permit a trustee to stand by and knowingly permit its employees to trade in assets of its trust and defend itself by blandly stating that it received no benefit from the misdeeds of employees who were working for the benefit of their own bank accounts rather than for the interests of the trust. Since Darrow, with full knowledge of the facts, sanctioned the trading by his employees, he became liable for their misconduct and amenable to surcharge.

In the case of Carson Pirie Scott & Co. v. Turner, 61 F. (2d) 693 (C. A. 6, 1932), cited in the brief of the Securities and Exchange Commission at page 10, an auctioneer employed by a trustee in bankruptcy misappropriated considerable merchandise over a period of time. On the theory that the defalcations were made possible by the negligence of the trustee, the court directed that the compensation paid the auctioneer be disallowed in the trustee's account and surcharged the trustee with the value of the goods taken so far as ascertainable. The opinion states that the proper administration of the bankrupt's estate required that the trustee exercise reasonable diligence in the performance of his duties and that if he had done so, it was inconceivable that he would not learn of their misconduct. In the instant case, it is clear from the record and is admitted that Darrow knew of the breaches of duty of his employees, yet continuously permitted them to trade in

the securities of the debtor over an extended period. It is no valid defense that he received no share in the profits. In the case cited above, the trustee likewise received no benefit from the misdeeds of his employee, yet he was surcharged for failure to exercise reasonable diligence.

In In re Curtis, 76 F. (2d) 751 (C. A. 2, 1935), also cited in the brief of the Securities and Exchange Commission, an employee of a receiver in bankruptcy placed orders with a bank to sell more of a certain class of stock than the estate owned. The bank sold the stock and was thereafter forced to buy additional shares at a higher price in order to effect delivery, and charged the estate's account with the loss. The court surcharged the receiver, stating that although a trustee or receiver may employ assistants, he must use reasonable care to engage competent assistants. Any requirement short of this would put a premium upon inattention by a fiduciary to the duties of his trust and subject the estate for which he acts to hazards of the grossest sort.

We submit that the application of the principles of these two cases to the instant case renders unavoidable the surcharge of Darrow for his own misconduct in knowingly permitting the improper activities of his employees over a long period during the administration of this estate. The principle requiring reasonable care with respect to original employment applies with equal force to the continuation of such employment. In the Curtis case, the receiver's employee was incompetent. In the instant case

and in the Carson Pirie Scott case the employees were unfaithful to their trust duties as fiduciaries. A court sanctions neither the employment nor the retention of an improper employee, nor inattention by a trustee which would permit an employee to engage in improper acts as in the Carson Pirie Scott case, and authorizes a surcharge from the trustee who tolerates inability or misconduct on the part of his employees. In the instant case not only did improper acts occur, but the trustee knew of and acquiesced in these improper acts.

The cases cited in support of the Court's opinion in the instant case appear to be limited to the proposition that no liability attaches to a trustee for wrongful acts on the part of his employees where their misconduct has occurred without his fault or knowledge and through no lack of adequate supervision. These cases have no application to the present situation where the trustee countenanced the misconduct throughout the entire period of his administration and had full knowledge of the fact that his employees were realizing profits at the expense of the public security holders and the trust estates. We respectfully submit that the cases referred to in the Court's opinion should all be distinguished because in those cases no negligence or inattention on the part of the receiver or trustee was shown and no assistance was rendered to the unfaithful employees in their misconduct. Not one case cited in the opinion holds that a trustee or other fiduciary may be absolved from liability where, with full knowledge of the facts, he has permitted misconduct on the

part of his employees or agents. That is the precise issue in this case.

We again call the Court's attention to the facts which distinguish the following cases relied upon in the Court's opinion, from the present case.

In Ex parte Belchier, 1 Amb. 218; 27 Eng. Reprint 144, an assignee in bankruptcy employed a broker to sell tobacco belonging to the estate. The broker sold the property, received the money, and at the end of ten days died insolvent before he paid the money over to the estate. The court simply held that where usage dictated the employment of a broker and he was selected with care, no liability attached to the fiduciary for the broker's defalcation.

In Speight v. Gaunt, 22 Ch. 727, a trustee invested money with a firm of stock brokers. One of the members of the firm duped the trustee, got control of the funds, and absconded. This case exonerated the trustee because he "had not the least suspicion" of his agent's unfaithfulness.

In Evans v. Williams, 276 Fed. 650, the court refused to surcharge a trustee because his employees had purposely falsified accounts and inventories, which the trustee had no reason to believe were false.

Also, in the *Marcus* case, 2 F. Supp. 524, the employees of the receiver secretly stole \$31,000, and the receiver was not surcharged with the loss because there was no personal fault on the part of the receiver.

In none of the aforementioned cases was it demonstrated

that the trustee was guilty of supine negligence nor that he could have prevented the misconduct. In the instant case, the activities of Johnson and Kulp in trading in the securities of the debtors and their subsidiaries continued over a period of many years with the full knowledge and acquiescence on the part of Darrow. He was not misled or deceived, and through the exercise of reasonable diligence he could have terminated their activities. The appellant did not cite and is not able to cite any case which even remotely indicates that a trustee in the situation of trustee Darrow should be exempted from liability where the trustee knew of his employees' activities. Consequently, even if there is no case on all fours with the instant case, this Court should be governed by fundamental rules of law, which, we submit, are correctly set forth by Professor Scott as quoted on page 5 hereof.

The opinion of the Court stresses the fact that the activities of Darrow in the acquisition of the securities of Federal and National and their subsidiaries resulted in substantial benefits to the estates. We respectfully submit that this fact, if true, is not determinative of the issue here involved. The bulk of the securities purchased by the trustee and referred to by this court at pages 6 and 7 of its opinion were purchased through sinking funds of the subsidiaries pursuant to plan. No credit belongs to the trustee for merely doing that which was largely required to be done pursuant to express provisions of previous reorganization plans. Moreover, a trustee is appointed on the assumption that he possesses business ability and is

bound to exert his best efforts and employ all the skill at his command at all times for the benefit of the estate. The fact that the assets subsequently appreciated in value does not absolve the trustee from his fiduciary obligations. The fact that over a period of years a war has intervened, the general standard of living has gone up, real estate securities in general have risen in price and the dollar has been devalued, cannot properly be used as a protection to the trustee for the consequences of his willful acquiescence in transactions in the trust property by his employees who are obligated to work for that trust. The duties of a trustee toward his trust and the beneficiaries thereof cannot depend on fortuitous gambles on the manner in which subsequent circumstances would affect a transaction undertaken at an earlier time. The trustee's duties must be stringently enforced at all times without particular exception, Meinhard v. Salmon, 249 N. Y. 458 (1928). follows, therefore, that such benefits, if any, to the estate as may be ascribed to Darrow or his employees do not equitably furnish a defense to his supine negligence in permitting the activities of Kulp and Johnson which resulted in profits to them. The opinion of the Court also overlooks the fact that Darrow countenanced the acquisition by Kulp and Johnson of the top trust securities through the sale in Seligman v. Kulp and that their attempt to acquire these securities may ultimately result in

overwhelming benefits to them rather than to the estate and the public security holders whom Darrow was duty bound to protect.

The Court in its opinion at page 11 implies that Darrow acted as an ordinarily prudent man in the management of his own property. As we have pointed out above a reorganization trustee, is not permitted to traffic in the assets of the trust for his own gain nor can his employees do so. Certainly a trustee is not exercising the care of an ordinarily prudent man in knowingly permitting his trusted employees to do that which both he and they are forbidden to do.

We respectfully submit that by reversing the order surcharging the trustee in this case, this Court has removed an effective sanction against the pernicious influence in bankruptcy reorganization proceedings of confidential employees interested primarily in profiting from the reorganization. Moreover, if permitted to stand, the decision might have a serious, widespread and deleterious effect upon the standard of ethics generally followed in the administration of trusts throughout the country for it affords an opportunity to trustees of all types individual or corporate, to permit their key employees to take advantage of their position, while the trustees, to whom the court should be permitted to look for ultimate responsibility, shoulder no blame and are absolved from all liability. We

therefore urge that a rehearing be granted and that the mandate of this Court be stayed pending disposition of this petition.

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Attorneys for John W. Guild,
Successor Trustee under Indenture of Mortgage, Appellee.

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And afterwards, to-wit, on the twentieth day of September, 1950, there was filed in the office of the Clerk of this Court an answer of Paul E. Darrow, Former Trustee, to the petition for rehearing which said answer is in the words and figures following, to-wit:

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United States Court of Appeals

FOR THE SEVENTH CIRCUIT

No. 9935

REALTY TRUST, a Common Law Trust, and NATIONAL REALTY TRUST, a Common Law Trust, a Common Law Trust, a

Debtors

PAUL E. DARROW, Former Treates, Appellant,

STACT C. MOSSER, Semant Treston

Appellees.

Appeal from the United States District Court for the Northern Ditrict of Illinois, Eastern Division.

ANSWER OF PAUL R. DARROW, FORMER TRUSTER, TO PETITION FOR REHEARING.

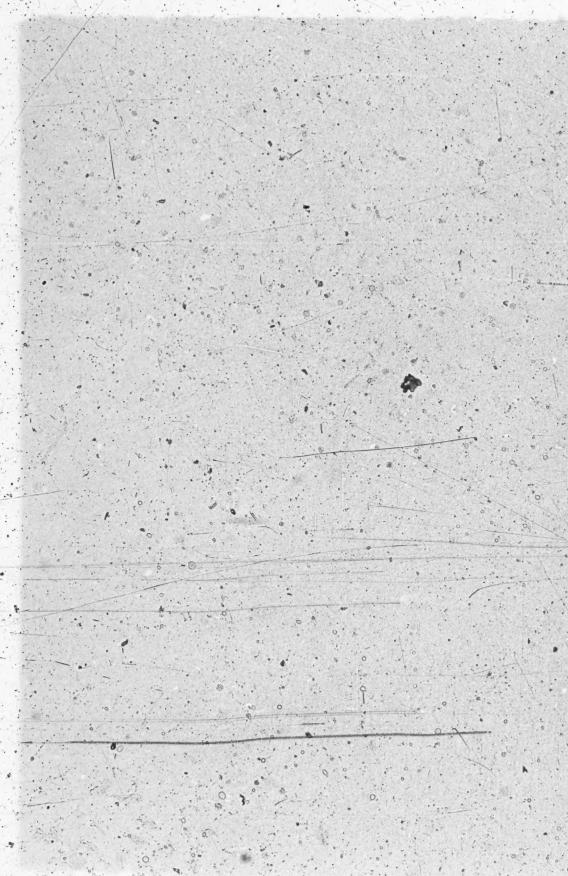
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KENNETH J. CARRICK

UBBAN A. LAVERY,
IRVING HERRIOTT,

Attorneys for Appellant, Darrow.



IN THE

United States Court of Appeals

FOR THE SEVENTH CIRCUIT

No., 9935

In the Matter of FEDERAL FACILITIES
REALTY TRUST, a Common Law Trust,
and NATIONAL REALTY TRUST, a
Common Law Trust

Debtors.

PAUL E. DARROW, Former Trustee,
Appellant,

.

STACY C. MOSSER, Successor Trustee,

Appellees.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

ANSWER OF PAUL E. DARROW, FORMER TRUSTEE, TO PETITION FOR REHEARING.

To the Honorable Judges of the United States Court of Appeals:

Comes now Paul E. Darrow, Former Trustee of Federal Facilities Realty Trust and National Realty Trust, Appellant herein, and for Answer to the Petition for Rehearing heretofore filed herein, respectfully says:

The first and obvious answer to the Petition for Rehearing filed herein is the fact that there is nothing new whatever in it. Everything contained in it is a re-hash of matters that were fully discussed in the Briefs filed in this Court and in the oral argument.

Another Effort to Make New Law.

It is entirely fair to say that the gist of the Petition for Rehearing constitutes merely another effort to do what the Appellees have tried to do throughout this case, before the Master, before the Trial Court, and in this Court: namely, to establish new law, with respect to the liability of a Trustee in Bankruptcy for surcharges, because of alleged derelictions of his employees.

As Appellant said in his Briefs before this Court, and as the Opinion of this Court points out, the Appellees totally failed to meet the challenge which Counsel for Appellant Darrow made to Appellees' Counsel, to produce a single authority to support that new law theory. In their Petition for Rehearing they have again failed to meet that challenge.

We propose now to discuss in summary fashion a few items in the Petition for Rehearing.

Darrow's Purchases Always at Market Price.

Up to this time, Appellees have never questioned the fact that Darrow never paid more than the going market price for the bonds which he purchased. The quotation found on Pages 3 and 4 of the Petition (which by innuendo suggests otherwise) is lifted from the context of the Master's Report; moreover that quotation does not truly represent the testimony on the point. The fact is that Darrow always paid the current market price for securities. We merely quote here two paragraphs from Darrow's own testimony (Tr. p. 210) which clearly proves that fact:

"I believe every time we communicated with bondholders we told them what we were paying for bonds
or at what rate recent purchases had been made;
except in one or two instances the sinking fund did
not call for tenders. The general practice was for me
to determine how much money could be used for that
purpose. I established a price.

"If the bonds came too fast, we would lower the price. I have dealt in securities for more than forty years and think I am fairly competent to decide upon a reasonable price. I had daily quotation sheets in which many of our issues were quoted and I knew the price of similar bonds." (Italics added.)

We further respectfully say that for the Appellees to raise this point for the first time in their Petition for Rehearing is not in keeping with our understanding of the Practice governing such matters.

The Text Authorities and Cases Rehashed.

We have no intention of again discussing at length the authorities which were cited to the Court in Appellant's Briefs and in oral argument, most of which are found mentioned in the Court's Opinion. We will not again enter into that argument, notwithstanding the fact that in the Petition for Rehearing, Appellees have rehashed Authorities and Cases rather extensively. We feel, however, with respect to the quotation from Scott's Law of Trusts on Pages 5 and 6 of the Petition, that the following quotation from that Text writer found on Page 50 of our main Brief and set forth in the Court's Opinion is a more correct and pertinent quotation as far as the law in this case is concerned. This quotation is as follows:

"Sec. 225. Liability for Acts of Agent. * A Trustee who employs an agent in the administration of the trust * * is not liable to the beneficiaries for losses resulting from the improper conduct of the agent, unless the Trustee himself is guilty of a breach of trust. * * |

"Accordingly if in the administration of the trust the Trustee properly employes an agent who negligently loses trust property entrusted to him, or misappropriates such property or otherwise causes a loss to the trust estate the Trustee is not liable to the beneficiaries for the loss." (Scott, Vol. 2, p. 1190.)

The Entire Original Argument Rehashed.

Pages 4 to 14, inclusive, of the Petition contain a repetition and rehash of the Appellees' entire original Argument in their Briefs. All the cases mentioned in the Petition for Rehearing were cited and discussed in the Briefs, and on the oral argument, with the exception of two cases.' The cases again discussed in the Petition for Rehearing are:

Magruder v. Drury, 235 U. S. 106, 59 L. Ed. 151 (1914) (p. 4).

Jackson v. Smith, 254 U. S. 586, 65 L. Ed. 418 (1921) pp. 4, 5).

in re Breger Kosher Sausage Co., 129 F. (2d) 62 (C. A. 7, 1942) (p. 7).

U. S. v. Howard, 96 F. (2d) 893, 896 (C. A. 7, 1938) (p. 7).

Carson Pirie Scott & Co. v. Turner, 61 F. (2d) 693 (C. A. 6, 1932) (p. 8).

In re Curtis, 76 F. (2d) 751 (C. A., 2, 1935) (p. 9).

Ex parte Belchier, 1 Amb. 218; 27 Eng. Reprint 144 (p. 11).

Speight v. Gaunt, 22 Ch. 727 (p. 11).

Evans v. Williams, 276 Fed. 650 (p. 11).

In re Marcus, 2 F. Supp. 524 (p. 11).

Meinhard v. Salmon, 249 N. Y. 458 (1928).

The two cases referred to, which are cited by Appellees for the first time in this Petition for Rehearing, are Brophy v. Cities Service Co., 70 A. 2d 5 (Del. Ch., Dec. 1949), and In re Norcor Mfg. Co., 109 F. 2d 407 (C. A. 7, 1940). We will discuss these two newly cited cases later in this Answer.

We respectfully submit that there is nothing in the Petition concerning any one of these cases which we think calls for extensive comment in this Answer, although we do wish to refer to one particularly irrelevant case which has again been brought in by Petitioners.

At Page 13 of the Petition, the Appellees refer again to the case of Meinkard v. Salmon, 249 N. Y. 458 (1928). We have heretofore pointed out and emphasized that this case did not arise in a Bankruptcy proceeding at all; that no question of the law of Bankruptcy Trustees was involved; and that it was entirely a case of alleged fraudulent conduct on the part of one of the parties to a large real estate transaction. That case cannot sensibly be cited for any rule of law arising in the case at Bar.

An Extravagant Proposition of Law.

The concluding paragraph of the Petition convincingly shows that the entire effort of the Appellees in this case is to establish a new doctrine of law with respect to the liability of Bankruptcy Trustees in connection with the conduct of their employees. That objective is clear because they say with reference to the Opinion of this Court:

"If permitted to stand, the decision might have a serious widespread and deleterious effect upon the standard of ethics generally followed in the administration of trusts throughout the country • • •."

That, we say, is an extravagant and fanciful contention which we feel requires no reply from the Appellant

here. We believe this Court realized the full effect of its Opinion at the time it was written, and that the implied criticism of that Opinion in the above quotation is entirely unjustified:

The Two New Cases Cited in the Petition.

At Page 5 of the Petition, one of the two cases cited for the first time, by the Appellee is In re Norcor Mfg. Co., 109 F. 2d 407 (C. A. 7, 1940). We submit that a mere reading of what the Petitioner says about that case shows it has no pertinency in the Darrow case whatever. Darrow never has taken the position that because some of the alleged profits of Kulp and Johnson came to them indirectly through the operations of "a corporation", that such fact made any difference as far as his liability is concerned.

The case of Brophy v. Cities Service Co., 70 A. 2d 5 (Del. Ch., Dec. 1949) cited in a footnote at the bottom of Page 5 in the Petition involved the question of alleged fraudulent profits made by an employee of a corporation who occupied a position of trust in purchasing stock of the corporation on the open market because of his confidential knowledge that the corporation itself secretly intended to buy large blocks of such stock. An examination of the Court's opinion in that case in the light of the facts clearly establishes that it is not relevant to the issues before this Court.

A Mis-statement With Respect to the Facts of the Case.

At Page 10 of the Petition, Appellees attempt to argue that "the cases cited in support of the Court's Opinion in the instant case * * have no application to the present situation". This is followed by the statement that Darrow's employees "were realizing profits at the expense of the public security holders and the trust estates". (Italics added.) There is absolutely nothing in the Record to justify or sustain that charge. The "public security holders" sold their securities on the open market to Darrow's employees, and in many instances directly to Darrow himself, at the going market prices. They were under no compulsion to sell; they were not mislead to any extent; and, therefore, there were no "profits made at their expense". Further than this, if Darrow were to be surcharged here, no part of that surcharge could possibly result in any benefit to these "public security holders" referred to in the Petition. These security holders are entirely out of this case and why they have been brought in at this time in the Petition for Rehearing does not appear.

As to the "profits at the expense" of the Trust Estates", the Record is replete with evidence that the Estates in this case made very substantial profits instead sustaining losses.

It is respectfully submitted that the Petition for Rehearing should be denied.

URBAN A. LAVERY,
INVING HERRIOTT,
Attorneys for Appellant, Darrow.

September 18, 1950.

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UNITED STATES COURT OF APPEALS

For the Seventh Circuit,

Chicago 10, Illinois.

Tuesday, September 21, 1950.

Before:

Hon. Otto Kerner, Circuit Judge. Hon. F. Ryan Duffy, Circuit Judge. Hon. Philip J. Finnegan, Circuit Judge.

In the Matter of Federal Facilities Realty Trust and National Realty Trust,

Debtors.

Paul E. Darrow, Former Trustee, Appellant,

9935 vs. Stacy C. Mosser, Successor

Trustee, et al.,

Appellees.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

It is ordered by the Court that the petition for a rehearing of this cause be, and the same is hereby, Denied.

And afterwards, to-wit, on the twenty-ninth day of September, 1950, the mandate of this Court issued to the United States District Court for the Northern District of Illinois, Eastern Division.

And afterward, to-wit, on the thirty-first day of October, 1950, there was filed in the office of the Clerk of this Court a designation of record which said designation of record is in the words and figures following, to-wit:

In the United States Court of Appeals

For the Seventh Circuit.

No. 9935.

In the Matter of Federal Facilities Realty Trust, a common law trust, and National Realty Trust, a common law trust,

AND COMMENCES

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Debtors.

Paul E. Darrow, Former Trustee,
Appellant,

Stacy C. Mosser, Successor Trustee, et al.,

Appellees.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

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DESIGNATION OF RECORD.

Mr. Kenneth J. Carrick
Clerk, United States Court of Appeals
1212 Lake Shore Drive
Chicago 10, Illinois

Will you kindly prepare a certified transcript of the record in the above entitled cause, including the proceedings in this court, in connection with a petition to the Supreme Court of the United States for writ of certiorari to this court in the above entitled cause, including therein the following, to-wit:

1. Printed record in the Court of Appeals.

Minute entry showing arguments of cause.
 Order of April 17, 1950, taking cause under advisement.

4. Opinion and judgment of the court entered August 14, 1950.

5. Order entered August 25, 1950, extending time to file petition for rehearing.

6. Petition for rehearing filed September 11, 1950.7. Answer to petition for rehearing filed September

20, 1950.

8. Order entered September 21, 1950, denying rehearing.

Reference to issue of mandate.
 This designation of record.

This designation o
 Clerk's certificate.

Stacy C. Mosser, Successor Trustee of Debtors,

Appellee.

By C. W. Mulfinger, J. Edgar Kelly, His Attorneys.

Received a copy of the above and foregoing designation of record this 30th day of October, A. D. 1950.

Irving Herriott,
Urban A. Lavery,
Attorneys for Paul E. Darrow,
Appellant.

Securities and Exchange Commission,
By Roger S. Foster,
Thomas B. Hart,
J. Kirk Windle,
Attorneys for Securities and Exchange Commission.

Jacob B. Courshon,
David J. Ratner,

Attorneys for John W. Guild,

Indenture Trustee.

Endorsed: Filed Oct. 31, 1950. Kenneth J. Carrick, Clerk.

Transcriber and the Topical ories if which the first of the A.E. becomes could be a second of the se 了现在中国人的人的企业,从本格的企业的企业的企业。 authority of the constraints are track to the constraint of the the state of the s andayan to show at enter that A Stemmer to wall be kinds of the Alaski Hory Assis authoriti reviernita reviert de l'enve And the state of the We stand the second Vacant Market Francisco pulsely and represent the street of the stre .10 to the property of the same of n inggestydd o llyddon fail A CHAIR THE RESERVE Solven and the second of the constitution A CONTRACTOR OF THE STATE OF TH

UNITED STATES COURT OF APPEALS For the Seventh Circuit, Chicago 10, Illinois.

I, Kenneth J. Carrick, Clerk of the United States Court of Appeals for the Seventh Circuit, do hereby certify that the foregoing printed pages contain a true copy of the papers filed and proceedings had, made in accordance with the designation of record, filed October 31, 1950, in:

In the Matter of Federal Facilities Realty Trust, a Common Law Trust, and National Realty Trust, a Common Law Trust,

Debtors.

Cause No. 9935.

Paul E. Darrow, Former Trustee,

Appellant,

vs.

Stacy C. Mosser, Successor Trustee, et al.,
Appellees,

as the same remains upon the files and records of the United States Court of Appeals for the Seventh Circuit.

In Testimony Whereof I hereunto subscribe my name and affix the seal of said United States Court of Appeals for the Seventh Circuit, at the City of Chicago, this 8th day of November, A. D. 1950.

(Seal)

Kenneth J. Carrick, Clerk of the United States Court of Appeals for the Seventh Circuit.



SUPREME COURT OF THE UNITED STATES, OCTOBER TERM, 1950.

No. 461

ORDER ALLOWING CERTIORARI—Filed February 26, 1951

The petition herein for a writ of certiorari to the United States Court of Appeals for the Seventh Circuit is granted. The case is transferred to the summary docket. Further consideration of the motion to substitute parties petitioner is postponed to the hearing of the case on the merits.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

Mr. Justice Burton took no part in the consideration or decision of this application.

(3517)